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TRANSNATIONAL CORPORATIONS IN THE PRODUCTION AND TRADE OF SELECTED FOOD COMMODITIES: AN INTEGRATED REPORT OF CASE STUDIES INVOLVING SELECTED AFRICAN COUNTRIES

This report was prepared for the Economic Commission for Africa by a Consultant. The views expressed herein are those of the author and those of the original studies which were integrated into this report, and do not necessarily represent the views of the United Nations.

TABLE OF CONTENTS

		Paragraphs	Pages
INTRODUCTION		1-3	1-3
I.	OVERVIEW OF GLOBAL STRUCTURE IN THE PRODUCTION OF SELECTED FOOD COMMODITIES AND THE ROLE OF TRANSNATIONAL CORPORATIONS	4-24	4-10
	A. Bananas	6-12	4
	B. Sugar	13-17	5
	C. Coffee	18-20	7
	D. Tea	21-24	8
II.	STRUCTURE OF PRODUCTION AND THE ROLE OF TRANSNATIONAL CORPORATIONS	25-58	11-24
	A. Introduction	25	11
	B. Bananas in Cameroon	26-29	11
	C. Sugar in Zimbabwe	30-38	13
	D. Coffee in Burundi	39-44	17
	E. Tea in Kenya	45-51	18
	F. Role of Smallholdings with Special Reference to Tea Production in Kenya	52-58	21
III.	STRUCTURE OF INTERNATIONAL TRADE AND THE ROLE OF TRANSNATIONAL CORPORATIONS	59-96	25-39
	A. Bananas	59-67	25
	B. Sugar	68-76	28
	C. Coffee	77-87	32
	D. Tea	88-96	36
IV.	MARKETING SYSTEMS OF SELECTED COUNTRIES AND THE ROLE OF TRANSNATIONAL CORPORATIONS	97-134	40
	A. Introduction	97	40
	B. Profile of Banana Export Trade in Cameroon	98-109	40

TABLE OF CONTENTS (cont'd.)

		Paragraphs	Pages
	C. TNC Dominance Over Sugar Marketing in Zimbabwe	110-114	44
	D. Government Monopoly Over Coffee Trade in Burundi	115-122	46
	E. Dominance of Transnational Corporations Over Export Trade of Tea in Kenya	123-131	48
	F. End of Brooke Bond Monopoly Over Domestic Distribution of Tea in Kenya	132-134	50
V.	STRUCTURE OF DISTRIBUTION OF GAINS	135-174	52-67
	A. Introduction	135-141	52
	B. Cameroon Bananas	142-147	55
	C. Burundi Coffee	148-158	57
	D. Zimbabwe Sugar	159-163	61
	E. Kenya Tea	164-174	63
VI.	SUMMARY AND CONCLUSION	175-223	68-83

TABLE OF CONTENTS (Cont'd.)

Annex I

Table		Page
1.1	Distribution of world production and export of bananas by principal developing countries and regions, 1974-76	1
1.2	Estimated shares of transnational corporations and other traders in banana imports in selected markets, 1970-72	2
1.3	Structure of value added in the formation of banana price	3-4
1.4	Structure of value added in the formation of banana price	5
1.5	Distribution of area under banana cultivation by principal growers in Cameroon	6
1.6	Estimates of banana exports by the Cameroon Banana Organization, 1979-81	7
1.7	Estimates of banana exports by the Cameroon Development Corporation, 1987-89	8

Annex II

2.1	Distribution of world production and export of coffee by principal developing countries and regions, 1974-76	1-2
2.2	World coffee production- 1974-82	3
2.3	Basic data on coffee growing in some producing countries, 1980	3
2.4	Actual and projected world coffee production	4

TABLE OF CONTENTS (Cont'd.)

Table:		Page
2.6	Distribution of arabica parchment delivered to processing plants in Burundi by major firms, 1976/77-79/80	5
2.7	Trends of producer and selling prices of coffee in Burundi, 1973-80	5
2.8	Distribution of coffee revenue among major groups in Burundi, 1975/76-80/81	6
2.9	Major foreign buyers of Burundi coffee	7
2.10	Foreign companies with direct and indirect involvement in the coffee industry of Burundi ..	7
	Annex III	
3.1	Distribution of world production and export of sugar by principal developing countries and regions, 1974-76	1-2
3.2	Quota allocation under the International Sugar Agreement in effect for 1982	3
3.3	Quota allocation under Sugar Protocol of the Lomé Convention and exports of sugar to EEC, 1975 and 1979	4
3.4	Zimbabwe's sugar production and exports, 1964/65-81/82	5
3.5	Sugar production of Triangle Estates, 1937-80	6
3.6	Partial list of holdings in Zimbabwe by Anglo-American Corporation	7-10

TABLE OF CONTENTS (Cont'd.)

Annex IV

Table		Page
4.1	Distribution of world production and export of tea by principal developing countries and regions, 1974-76	1
4.2	Distribution trend of tea production among major producing countries	2
4.3	Distribution trend of tea exports among major producing countries	3
4.4	Value of tea exports from selected producing countries	4
4.5	Trends of distribution of tea sales by different auction centres, 1965-80	5
4.6	Disposal of tea at auctions by major producing countries	6
4.7	Concentration ratios of tea sales by leading firms in selected countries	7
4.8	Market shares of leading transnational corporations in tea sales of selected importing countries	8-9
4.9	Transnational corporations with involvement in tea production in selected exporting countries	10
4.10	Trends in the structure of Kenya tea industry in terms of area under tea cultivation and volume of production, 1963-80	11
4.11	Trends in the structure of Kenya Tea Industry in terms of area under tea cultivation	12
4.12	Trends in the structure of Kenya tea industry in terms of volume of production	12

TABLE OF CONTENTS (cont'd.)

Annex IV

Table:		Page
4.13	Tea production activities of transnational corporations in the production of tea in Kenya, 1981	13
4.14	Tea exports from Kenya by destination, 1976-81	14
4.15	Tea purchasers on Mombasa auctions, 1981	15
4.16	Top ten tea buyers on Mombasa auctions, 1981, 1981 (January-June)	16
4.17	Kenya Tea Packers' capitalization structure	17

Annex V

5.1	Shares of exports from developing countries marketed by transnational corporations, 1976	1
5.2	Transnational corporations engaged in the production and trade of selected commodities in sample countries	2-3
5.3	Checklist of variables affecting the structure of distribution of gains	4-6

INTRODUCTION

1. In the international trade of primary commodities, the deteriorating position of exporting countries in the developing regions of the world has been an issue of impassioned debate rather than sober dialogue between the North and the South for some time. Although statistical indicators surrounding the issue point to the plight of the latter, the positions of the North and the South over apropriate counter measures required to remedy the situation have been almost as close as the two poles.

2. Primary commodities account for an overwhelming proportion in the structure of exports from developing countries. The share of primary commodities in general, and agricultural commodities in particular, has been falling in relation to the aggregate value of world trade during the last few decades. In the price of manufactured goods for final use, embodying primary commodities originating in developing countries, only a small fraction of the final value accrues to primary producers.

3. A number of classical and contemporary theories have been advanced to explain the structure of distribution of gains between developed economies and developing countries. But in the recent years, the transnational corporation has gained currency as the principal factor affecting the structure of distribution of gains obtaining from the international exchange of primary commodities. In the light of the overwhelming share of primary commodity exports absorbed by developed market economies, and of the dominant position of transnational corporations over the whole spectrum of activities from the production of primary commodities to their final consumption in manufactured form as well as their strategic concentration over processing and marketing, an inquiry into the nature and operations of transnational corporations promises much insight into the structure of distribution of gains between developing countries of the periphery and developed economies of the metropolis.

4. It is against such a background of interdependence between the activities of transnational corporations and international trade in primary commodities that the United Nations Centre on Transnational Corporations recognized the merit of the issue, and in a joint venture with the regional commissions embarked upon a programme of research designed to employ the individual case study method of investigation with reference to a particular commodity and country. According to the general conceptual framework, the prescribed objective of these case studies is to inquire into the dynamics of bargaining position and the structure of distribution of gains between transnational corporations and host developing countries. Although all case studies are expected to evaluate the structure of distribution of gains, none of the four case studies covered here attempts a rudimentary estimation (much less measures up to the more rigorous requirements of the retained value model) for two reasons anticipated in the conceptual framework in conjunction with counselling flexibility and pragmatism of approach.

Firstly, the suggested paradigm is only a broad guideline and has not been refined to the level of an operational technique amenable to empirical use in the case studies. Secondly, even if the first problems were somehow surmounted, the paucity of information in general, and in a form required for the purpose here in particular militates against an objective evaluation of the interplay between bargaining position and the structure of gains. In view of these constraints the approach followed in preparing this integrated report is briefly outlined below. 1/

5. The broad design of integration of the case studies covered here is predicated on guidelines provided in the general conceptual framework and merits some attention as a background to the organization of this paper. Strict compliance with the approach suggested in the conceptual framework at least entails the following tasks: recognition of a functional relationship between the structure of gains (dependent variable) and a set of factors designated as "bargaining position" (independent variables); identification of the set of independent variables determining the structure of distribution of gains; and evaluation of the effects of the bargaining position on the structure of distribution of gains. But the prescribed approach for examining the dynamics of distribution of gains and bargaining position has not been refined to the level of an operational model to be of much help here. Under these conditions, the interdependence between the two sets of variables can be described as something that depends on something else. Although such general statements do not convey information about the direction of change between two sets of variables moving simultaneously - the structure of distribution of gains and bargaining position in this case - they are nevertheless useful for drawing inferences about the implications of important developments related to the bargaining position for the structure of distribution of gains in the context of commodities and countries addressed here.

1/ This integrated report is based, for the most part, on four case studies, consisting of "The Banana Industry in Cameroon", "Transnational Corporations and "The Sugar Trade: The Zimbabwe Case", "The Activities of Transnational Corporations in the Coffee Industry in Burundi", and "Transnational Corporations in the Tea Industry of Kenya".

6. With the preceding conceptual framework as the background, a comprehensive checklist (Table 5.3) of variables determining the structure of distribution of gains was compiled from the guidelines to serve as the standard of comparison among commodities and countries. But the significance of these factors varies among commodities and countries, for obvious reasons. Problems posed by the diversity (for organizing the integrated report) were surmounted by juxtaposing outstanding similarities and differences commodity by commodity and country by country within a functional framework of the structure of production and trade with particular focus on the activities of transnational corporations. The broad functional arrangement of production and trade structure is further organized into individual chapters addressing the commodities in question at global and national levels.

7. With the methodology of integration just outlined as the broad frame of reference, this report is organized into five chapters. In the first two chapters, the structure of production of the selected commodities is examined separately at global and national levels. The next two chapters are devoted to a review of the structure of international trade in these commodities and the marketing systems of the reference countries. In Chapter five the implications of the structure of production and trade on the structure of distribution of gains are pondered.

8. The scope of this report covers four agricultural food commodities:bananas, sugar, coffee, and tea, with particular focus on a corresponding number of selected African countries. The subset of commodities and countries includes bananas from Cameroon, sugar from Zimbabwe, coffee from Burundi, and tea from Kenya.

I. OVERVIEW OF GLOBAL STRUCTURE IN THE PRODUCTION OF SELECTED FOOD COMMODITIES AND THE ROLE OF TRANSNATIONAL CORPORATIONS

A. Bananas

9. Bananas being a tropical fruit, virtually the entire world supply of this commodity originates in developing countries, slightly over half of them in Latin America, according to figures for 1975. 2/ The volume of banana production that year was distributed among Latin America (52 per cent), Africa/Middle East (11 per cent), and Asia/Pacific (36 per cent).

10. Gros Michel and Cavendish are the two most popular types of bananas. The former is more susceptible to plant disease. But whereas Cavendish is more disease resistant, this attribute is offset by a higher tendency to bruise easily and perish faster. In the trade-off between disease resistance and faster spoilage, the structure of production has shifted in favour of the Cavendish variety.

11. In most producing countries bananas are a staple item of consumption. The consumption profile of the commodity is shown in statistical highlights of banana production and export, presented in Table I.1. Banana production is widely distributed among many developing countries. In 1975, 22 principal banana producing countries accounted for 70 per cent of world output volume. Production concentration among countries, according to Table I.1 barely topped 50 per cent at the level of 10 countries. The same year the 12 principal banana producing countries were Brazil, India, Ecuador, Philippines, Colombia, Costa Rica, Panama, Burundi, Guatemala, Honduras, Papua New Guinea, and Tanzania. Not only did some of these countries not make the roster of the 10 leading exporting countries, but such as India, Burundi and Papua New Guinea hardly had any surplus left for export.

2/ "Transnational Corporations in Food and Beverage Processing" (United Nations Publications, ST/CTC/19), pp.51-58

12. Although the transnational corporations are much more dominant at the marketing end of the banana industry, the three leading companies (United Brands, Castle and Cooke, Del Monte) are also actively involved in banana growing. Among them, these companies own nine plantations in Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, Panama, and the Philippines. 3/ Banana production targeted for the export market is characterized by large-scale plantations and capital intensity, the latter feature matched only by very few tropical food commodities. Five thousand acres constitute the minimum area required to operate a commercial farm economically, according to technical sources from United Brands. 4/

B. Sugar

13. Sugar is processed from two principal plants: cane and beet. Sugar cane is cultivated in tropical and subtropical climates, while sugar beet thrives in temperate zones. Because of climatic conditions required for the cultivation of the two plants, the production of sugar beet is identified with developed economies, and sugar cane with developing countries. 5/ Another feature of the two types of sugar is the number of steps involved in processing them into refined form. Beet sugar is directly refined from beet root, with sugar cane, refining is preceded by conversion to raw sugar. By type of plant, the structure of world sugar production is distributed as 60 per cent cane sugar and 40 per cent beet sugar. 6/

3/ Ibid., p. 51.

4/ "The Marketing and Distribution System for Bananas" (United Nations Publication, TD/B/C.1/162), p. 21.

5/ Among developed market economies, the European Economic Community is the principal producer of sugar beet. Including the refining of raw sugar cane imported from the African-Caribbean Pacific (ACP) group of developing countries, the EEC accounts for about 14 per cent of the total world output of sugar. "The Marketing and Processing of Sugar: Areas for International Co-operation" (United Nations Publication TD/B/C.1/PSC/29), pp. 4-10.

6/ Ibid., p. 2.

14. Among the commodities sampled in this study, two of the outstanding features of sugar are the low level of concentration of production and its wide distribution among different countries and regions of the world. According to figures for the mid-1970s (Table 3.1), the production of sugar was distributed between developed economies (45 per cent) and developing countries (55 per cent). 7/ Developed market economies are credited with a little over one quarter of the aggregate world production of sugar. In addition to accounting for a major share of beet sugar output, developed market economies are the principal refiners of raw cane sugar exported from developing countries. A very significant development in the world sugar industry during the last ten years has been the emergence of the European Economic Community, not only as a surplus region, but as a leading world producer of sugar. At the beginning of the current decade, the EEC was credited with about 14 per cent of world production of sugar. Among developed market economies, the United States is unique in that the country is engaged in the production of both beet sugar and cane sugar, and domestic output is about evenly distributed between the two types. 8/ Although the United States is rated as the fifth largest sugar producing country in the world, domestic sources do not fully meet consumption requirements.

15. In spite of a significant redistribution in the structure of sugar production between developing and developed regions of the world during the last few years, generally in favour of the latter, the developing countries of Latin America, Asia/Pacific, and Africa/Middle East still remain the major producers of sugar. With a share of slightly more than one quarter of the world production of sugar, the contribution of Latin America roughly compares to that of developed market economies. The Asia and Pacific regions produce less than one quarter, more than half of which is attributed to India. (In the mid-1970s, India was the only developing country whose share of sugar output topped 10 per cent of world production). Africa and the Middle East have a share of just over 5 per cent.

16. Sugar is a commodity whose production is widely distributed among individual developing countries-- a feature shared with bananas. In the mid-1970s, the leading 12 sugar producers from developing countries (India, Cuba, Brazil, Mexico, Philippines, Pakistan, Colombia, Thailand, Argentina, Dominican Republic, Indonesia, Peru) were credited with about 40 per cent of global sugar output. With the exception of India, the individual shares of these dozen countries varied between seven per cent and one per cent, according to production figures for mid-1970s, presented in Table 3.1.

7/ "Transnational Corporations in Food and Beverage processing", pp. 60-61.

8/ "The Marketing and Processing of Sugar: Areas for International Co-operation", pp. 11-15.

17. The production of sugar in most developing countries is dominated by state monopolies in some countries (Bangladesh, Burma, Chile, Cuba, Egypt, Fiji, Guyana, Peru, Turkey) and national entrepreneurs in others (Argentina, Barbados, Brazil, India, Mexico, Philippines, Thailand, Venezuela). Although transnational corporations still dominate sugar refining and the international trade of sugar on the free market, they no longer control the sugar industry of any major developing country producer. In the mid-1970s, among about 1500 commercial sugar cane mills known to exist in developing countries, no more than an estimated 50 of them were owned by transnational corporations. 9/ The few instances of TNC involvement in production activities of developing countries include Tate and Lyle (Belize, Jamaica, Nigeria, Zambia, Zimbabwe); Lonrho (Malawi, Mauritius, Swaziland); Gulf and Western (Dominican Republic); Mitsui and Fujimoto (Thailand); and Saghin-Say (Uruguay). The involvement of transnational corporations in the production of sugar in developing countries also assumes non-equity participation, such as technical and managerial contracts with State monopolies and private local companies.

C. Coffee

18. Coffee is grown exclusively in tropical regions of the world which are the developing economies of Latin America, Africa and Asia. The four leading producing countries, Brazil, Colombia, Indonesia and Ivory Coast, contribute more than half of the total volume of global coffee output. 10/ Although the concentration of coffee production is much greater than that of bananas or sugar, the distribution of coffee output varies significantly among producing countries because of sporadic incidences of frost-bite, particularly in Brazil. Although the coffee plant is said to have originated in Africa, the share of the continent in world output remained insignificant until after World War II. At present, Africa accounts for about one quarter of the total volume of coffee production and for about one third of the international trade in the commodity.

9/ "Transnational Corporations in Food and Beverages Processing", p. 62.

10/ Ibid., p. 91.

19. Plant taxonomists identify as many as 60 different species of coffee but for commercial purposes only four subclasses of arabica and robusta are recognized: colombian milds, other milds, unwashed arabica and robusta. 11/ Arabica coffee, which comprises the first three types makes up about two thirds of the total volume of world production. The variety of coffee predominantly cultivated in Africa is robusta. However, the continent is also noted for producing some of the world's best arabicas such as colombian milds (Kenya and Tanzania), other milds (Burundi and Rwanda), and unwashed arabica (Ethiopia).

20. In most producing countries coffee growing is characterized by labour-intensity and scale of operation ranging from small to medium size. 12/ The contribution of plantations to total output hardly exceeds three per cent. Virtually all the coffee produced in the world comes from the private sector. Direct involvement of Governments and transnational corporations in coffee production is rare.

2. Tea

21. Tea grows in climatic conditions ranging from tropical to mediterranean. Before field transplanting, a tea nursery is cultivated by seeding or vegetative propagation. In this nursery phase of development, there is a significant difference between the two methods in the time required. While the lead time in the case of seeding is only eight months, vegetative propagation takes

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11/ Robusta is more disease-resistant than arabica and requires less plant husbandry.

12/ In some of the leading producing countries, according to figures for 1970, the average number of hectares per grower varied between two and nine: Ivory Coast (2.2 hectares), Brazil (9 hectares), and 3.6 hectares for Colombia, El Salvador and Mexico. "The Marketing and Processing of Coffee: Areas for International Co-operation" (United Nations Publication, TD/B/C.1/PSC/31) p.8.

from 18 to 24 months. Green leaf is ready for first harvest three years after transplanting. During the first six years after the first leaf harvest, the tea plant passes through stages of increasing yield which level off at maturity. The quality of tea is determined by the number of leaves picked next to the bud. 13/

22. Green leaf is manufactured into black or green tea. The most outstanding difference between these two principal types of made tea is that green tea does not require withering and fermentation. After processing, made tea is sorted, graded and packed in bulk for sales on auction markets or through private contract. Further processing of made tea includes blending, then packing into retail size in tea bags or as instant tea. Black tea, accounting for more than 80 per cent of total world production and trade, is popular in West European and North American markets. 14/ Green tea is mostly preferred in the Far East and pockets of the Middle East.

23. In recent years, the production and trade of tea has been marked by a number of important developments whose prominent features are briefly highlighted below. 15/ The emergence of important producing countries notably the Union of Soviet Socialist Republics, Turkey, Kenya and Malawi, has significantly augmented the volume of world production and reduced the degree of concentration among producing countries. Over the last 30 years, the output share of the first three leading producers (India, China, Sri Lanka) dropped

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13/ In Kenya, plantations belonging to transnational corporations and small holdings organized under the Kenya Tea Development Authority pursue different policies governing the collection of green leaf. The latter prescribes and enforces picking the first two leaves with a bud, while foreign-owned plantations pick three to four leaves next to the bud. As a result, as reflected in the price quotations of auction markets, black tea from Kenya in general and that produced by the Kenya Tea Development Authority in particular, commands premium value on the London Tea Auction. "Transnational Corporations in the Tea Industry of Kenya" (United Nations ECA Mimeo., 1983), p. 14.

14/ "The Marketing and Processing of Tea: Areas for International Co-operation" (United Nations Publications, TD/B/C.1/PSC/38) p.2.

15/ Ibid., pp.2-4.

from about 75 per cent to nearly 60 per cent. Presently, the first six leading countries (India, China, Sri Lanka, USSR, Japan, Kenya) account for about 80 per cent of global production. With the first four leading countries (India, Sri Lanka, China, Kenya) claiming about 70 per cent of the export, the tea industry is noted for a higher concentration of trade more than production. A parallel development within principal producing countries has been the growth of smallholdings, particularly in African countries (Kenya, Uganda, Tanzania, Malawi) and the indigenization of plantations, notably in India, Sri Lanka and Indonesia. In spite of these changes, less than a dozen transnational corporations continue to play a significant through diminishing role in the production of tea for the export market. Leading transnational corporations active in tea production are predominantly United Kingdom based and include Brooke Bond Leibig, James Finlay, INDICAPE, Eastern Produce Holdings, Warren Plantation Holdings, McLeod Russel, Lawrie Plantation Holdings, and Williamson Tea Holdings. 16/ In the sphere of plantation activities, spatial diversification of supplies sources is one of the main features of transnational corporations. Cases of plantations controlled by transnational companies in different countries include Brooke Bond Leibig (India, Kenya, Bangladesh, Indonesia, Malawi, Tanzania, Zimbabwe);James Finlay (India, Kenya, Bangladesh); Williamson Tea Holdings (India, Kenya, Tanzania);Eastern Produce Tea Holdings (Kenya, Malawi);Warren Plantation Holdings (India, Kenya, Papua New Guinea), McLeod Russel (India, Zimbabwe) and Lawrie Plantation Holdings (India, Bangladesh, Malawi).

24. The dominance of transnational corporations in the tea industry is most pronounced in downstream activities of processing and marketing. According to a recent study, less than 10 large transnational corporations based in the United Kingdom and the United States (Brooke Bond Leibig, UNILEVER, Cadbury Schweppes, Lyons-Tetley, Nestle's Alimentana, Standard Brands, Kellog, Coca-Cola) supply about 90 per cent of the tea sold on West European and North American markets. 17/ In about a dozen countries, accounting for a little less than half tea imports in 1980, about half of the market for processed tea was controlled by four TNCs consisting of Brooke Bond Leibig, Lipton, Lyons-Tetley, and Twining. 18/

16/ Ibid., Annex, p.1.

17/ "Transnational Corporations in Food and Beverage Processing", p.87

18/ Ibid., pp. 21-25.

II. STRUCTURE OF PRODUCTION AND THE ROLE OF TRANSNATIONAL CORPORATIONS

A. Introduction

25. The structure of production of the commodities sampled here in terms of the role of transnational corporations, the host government and small-holdings presents a mixed picture. The involvement of transnational corporations in upstream activities varies from dominant for sugar in Zimbabwe, major for tea in Kenya, significant for bananas in Cameroon, and insignificant for coffee in Burundi. The most outstanding feature of the Cameroon banana industry is the direct involvement of the host Government in banana growing for the export market in competition with foreign affiliated firms. Except through minority equity interest in the subsidiaries of foreign affiliated companies, the Governments of Kenya and Burundi are not directly involved in the cultivation of tea and coffee. In Zimbabwe, the sugar industry is completely free from regulatory, ownership, trade or production intervention on the part of the Government. The contribution of small-holdings to the production of commodities covered here varies from overwhelming for coffee in Burundi, very significant for tea in Kenya, insignificant for bananas in Cameroon, and hardly existent for sugar in Zimbabwe.

B. Bananas in Cameroon

26. On both a global and continental basis, the share of Cameroon in the production and trade of bananas is insignificant. The country is credited with less than one half of one per cent of the world production and trade of the commodity. 19/ With reference to aggregates for Africa, the country claims about two per cent of banana production and more than 10 per cent of the export. In the context of the national economy, bananas play an important role, particularly as one of the important items of agricultural export. However, with the development of the petroleum industry and a downward trend in banana production, the relative significance of the banana sector has been diminishing.

19/ The estimates are based on figures in Food and Agriculture Organization of the United Nations, FAO Production Yearbook and Export Yearbook, 1981.

27. The two prominent features of the Cameroon banana industry are the export orientation of the commodity and the dominance of plantations over production, distributed between the public sector and foreign affiliated companies. The bulk of the total output is contributed by plantations controlled by the government. 20/ Public sector plantations are organized under the Cameroon Development Corporation and the Cameroon Banana Organization. The latter was created by Government decree in 1968, in the aftermath of a precipitous decline in production, and is entrusted with broad statutory responsibilities to revitalize the banana industry. During the decade before the formation of the Cameroon Banana Organization, annual banana output declined nearly three fold. 21/ In addition to organizing the banana trade, determining export targets for the whole country, assuring quality control, plant protection and technical assistance, the statutory body is entrusted with the Banana Reconversion Program. This is a scheme designed to promote the production of crops other than bananas by small-holders, but so far, no significant progress has been achieved. The Cameroon Development Corporation (CDC) is the post-independence name of the Colonial Development Corporation (CDC). The latter was formed after World War II with the aim of managing banana plantations taken over from their German owners.

28. The role of foreign affiliated companies in the banana industry varies from significant in production to dominant in external trade. Foreign-owned plantations, whose parent companies are mostly domiciled in France, include Nyombee-Penja Plantations, Nassif Plantations, Cam-Boubou Pellier, Haut Penja Plantations, and Banana Company. With the exception of the last company these establishments run integrated operations of production and export. The only non-French plantation is the one at Likomba given as a concession for 18 years to Elders and Fyffs, a wholly-owned and United Kingdom based subsidiary of United Brands (United Fruit), at the time of formation of the Colonial Development Corporation. Though Elders and Fyffs is one of the authorized sales agents in the United Kingdom appointed to market bananas exported by the Cameroon Banana Organization and the Commodity Marketing Office, but it is not known for certain whether or not United Brands is still engaged in banana growing in Cameroon.

20/ Plantations sponsored by the Cameroon Banana Organization produced 47,500 tons in 1981-82, a figure exceeding three quarters of the total volume of banana exports that year. The Courier (European Economic Community publication) p.23.

21/ "The Banana Industry in Cameroon" (United Nations ECA mimeo., 1983) p.3.

29. During the last forty years the banana industry of Cameroon has passed through successive periods of rapid expansion and gradual decline. Following World War II, when former German plantations were brought under the control of the Colonial Development Corporation, banana production registered rapid growth, topping 160,000 tons in 1957. During the next 10 years the volume of output declined more than four fold. The creation of the Cameroon Banana Organization was a Government action precipitated by the persistent decline. Investigations at the Institute of Agricultural Research attribute the downward trend of productivity to the deficiency of fertilizers and plant protection. Although the supply of farm inputs and the provision of extension services have been statutory responsibilities of the Cameroon Banana Organization, the public agency has not shown creditable results. Shortages of spraying aircraft and qualified manpower are blamed for the poor condition of plant protection. Reportedly, private growers are lobbying for a state subsidized plant protection scheme.

C. Sugar in Zimbabwe

30. With total volume of output exceeding 3.5 million metric tons and valued at 80 million Zimbabwe dollars, Zimbabwe contributes less than one per cent to aggregate world production of sugar and more than five per cent to that of Africa. 22/ The production of sugar cane, the largest in Southern Africa including South Africa, was developed in the low veld by transnational corporations from South Africa and the United Kingdom with the active infrastructural support of the colonial Government.

31. The most outstanding feature of the sugar industry of Zimbabwe is the complete dominance of transnational corporations over all phases of sector activities, including cultivation, milling, processing and trade. The Anglo-American Corporation (Hippo Valley Estates),

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22/ The figures are based on FAO Statistics for 1978. FAO Yearbook, 1981.

Hulletts Corporation (Triangle Estates), and Tate & Lyle (Zimbabwe Sugar Refineries) complete the "triopoly" of transnational corporations operating in the sugar industry. The production of raw sugar is controlled by a duopoly, consisting of Hippo Valley Estates and Triangle Estates. 23/ The two estates employ a labour force of 20,000 people, about three quarters of which is made up of African farm labourers. The bigger of the two estates, Hippo Valley, accounts for more than half of the raw sugar processed in the country, and is credited with the highest sugar cane yield on the continent. About one third of the sugar cane converted to raw sugar by Hippo Valley estates is supplied by 50 commercial farmers. On the other hand, the mill on Triangle Estates obtains the entire supply of sugar cane from company plantations.

32. Less than half of the raw sugar produced in Zimbabwe is refined in the country. Tate & Lyle, through Zimbabwe Sugar Refineries, exercises complete monopoly over the manufacture and trade of refined sugar. 24/ Tate & Lyle owns more than half of the shares of Zimbabwe Sugar Refineries. Anglo-American Corporation, through RAL Nominees, owns less than a one per cent interest in the company.

23/ Anglo-American Corporation and Hulletts Corporation are South African companies. The former is the largest transnational conglomerate based in South Africa, with global activities spanning mining, manufacturing, finance, energy, construction and real estate. Towards the end of 1970's, Anglo-American Corporation acquired a 30 per cent interest in Hulletts Corporation, giving the former dominance over sugar production in Zimbabwe. The third sugar plantation, Mkwasine Estates, is a joint venture between Hippo Valley Estates and Triangle Estates, in which ownership is equally divided. For details on Anglo-American Corporation, including other holdings of the parent company and the diverse activities of its Zimbabwe subsidiary, refer to C. Stoneman, "Foreign Capital in Zimbabwe" in Zimbabwe Towards a New Order (UNCTC/MFD/19), pp 431-32, 536; D.G. Clarke, Foreign Companies and International Investment in Zimbabwe (Gwelo, Mambo Press, 1980), pp.66-71; and "Transnational Corporations and the Sugar Trade: The Zimbabwe Case" (United Nations, ECA Mimeo., 1982), pp. 23-29.

24/ Before independence, the subsidiary was known as Rhodesia Sugar Refineries. Today it owns two plants located in Harare and Buluwayo. By means of minority interest of less than 10 per cent in Hippo Valley Estates and non-equity participation consisting of management and technical contracts, Tate & Lyles is indirectly involved in upstream activities of cultivation and milling.

33. During the period of the Unilateral Declaration of Independence (UDI), transnational corporations of the sugar industry were very responsive to the twin policies of export diversification and import substitution, vigorously promoted by the Smith regime as a counter-measure to trade sanctions. For example, Triangle Estate embarked upon a programme of diversification into winter wheat, cotton, maize and animal feeds. The drive for import substitution created forward linkage for the sugar industry through the expansion of food and beverage processing. But the contribution of the sugar industry to import substitution is nowhere near as significant as the ethanol plant on Triangle Estates. With a daily capacity for producing 120,000 litres of ethyl alcohol, the plant is the first of its kind in Africa. Gasohol is blended from 15 parts ethyl alcohol and 85 parts gasoline, and it has enabled the country to save a proportionate amount of foreign exchange spent on the import of petroleum for motor vehicles.

34. The progression of the economic history of the sugar industry of Zimbabwe--throughout the periods of colonialism, the Unilateral Declaration of Independence, and national independence--runs as a close parallel to the historical development of Triangle Estates and Hippo Valley Estates. Triangle, the older of the two sugar estates, started out as a cattle ranch in 1871 and was subsequently converted to an irrigated sugar farm by a settler farmer. The first sugar cane in the country was harvested shortly before the Second World War. When the profitable operation of the sugar estate proved to be beyond the financial resources of the private local owner, the Government, through the Sugar Industry Board, took over Triangle Estate in 1945. After remaining under the control of the Sugar Industry Board for almost a decade, during which a turnaround in profit performance was brought about through expansion of the area under cultivation, Triangle Estates was sold to a syndicate of sugar estates from South Africa in 1954.

35. The transfer of Triangle Estates to the South African syndicate by the colonial Government was consumated with expectations of promoting the settlement of white farmers, tapping the protected market of the Federation of Nyasaland and Rhodesia, and financing of sugar mill with foreign capital. When these prospects failed to materialize, Triangle Estates changed ownership again, going to its current owners, Huletts Corporation. Shortly after taking over Triangle Estates, Huletts Corporation persuaded the colonial Government to drop the settlement scheme envisaged for white farmers and embark upon the construction of the Kyle Dam with three-quarter Government funding. This was followed by the expansion of cane cultivation and the construction of a sugar mill.

36. Although Triangle Estates is a wholly-owned subsidiary of the parent company, Anglo-American Corporation exercises indirect control over the estate through its shareholdings in Huletts Corporation. Anglo-American Corporation acquired a 30 per cent equity interest of Huletts Corporation in the late 1970's.

37. The completion of Kyle Dam, in addition to contributing to the rapid expansion of sugar cane production on Triangle Estates, also ushered in the formation of Hippo Valley Estates, following the extension of water rights to a group of seven citrus farmers--against the objection of Triangle Estates and with the active backing of Tate and Lyle. By the early 1960's, 50 commercial farmers had been settled around a used sugar mill brought in by Tate & Lyle from its subsidiary in Mauritius. According to the terms of agreement between Tate & Lyle and commercial farmers, 65 per cent of the value of raw sugar processed was apportioned to growers. Prior to 1964 Hippo Valley Estates was a wholly-owned subsidiary of Tate & Lyle. In this year, the subsidiary was reconstituted as a public company in order to facilitate the financing of an expansion programme, during which Anglo-American Corporation acquired about one third of the shares through Security Nominees and RAL Nominees, two investment arms of Anglo-American Corporation, in a broad spectrum of securities traded on the Harare Stock Exchange. In 1973, the shareholdings of Anglo-American Corporation in Hippo Valley Estates increased to about 40 per cent when the company took over the shares of Rhodesian Breweries (now Delta Corporation), a subsidiary of South African Breweries. In the Aftermath of the Unilateral Declaration of Independence and the pressure of economic sanctions from the international community, the importance of transnational corporations with South African and British allegiances evolved in opposite directions. By a series of share acquisitions in Hippo Valley Estates directly and Triangle Estates indirectly, Anglo-American Corporation rose to a position of dominance. Tate & Lyle was reduced to a minority shareholder of less than 10 per cent in Hippo Valley Estates.

38. As mentioned in the preceding chapter, the withdrawal of transnational corporations from the production of sugar in developing countries is approaching completion. Zimbabwe is one of the few exceptions as its sugar industry is fully controlled by foreign companies. Since the achievement of national independence in 1978, the structure of sugar production and trade remains intact. One minor development is the settlement of 200 peasant farmers on Hippo Valley Estates immediately after independence. In anticipation of an imminent change in the whole political climate in the country, Anglo-American Corporation had resisted pressures from the Smith regime to settle more white farmers on Hippo Valley Estates.

D. Coffee in Burundi

39. Production of coffee in Burundi is very small: about one half of one per cent of global production and two and a half per cent of Africa's production. 25/ But the commodity occupies a pivotal position in the national economy, especially as a source of foreign exchange.

40. The "other milds" variety of arabica coffee makes up about 90 per cent of the volume of coffee produced in Burundi. Foreign affiliated plantations specialize in robusta and take up most of the remaining 10 per cent. The three foreign subsidiaries involved in coffee growing, Ruzizi, Sobumines and Sodagri, are owned by Belgian parent companies. The Government has equity interest of 49 per cent in Sobumines.

41. The most outstanding feature of the coffee sector of Burundi is the dominance of the host country over activities of production and trade. Smallholdings claim 95 per cent of total output, while the Government marketing organizations (Burundi Bureau of Industrial Crops and Burundi Coffee Company) exercise monopoly over domestic wholesale trade and export, respectively. 26/

42. The indirect but active involvement of the Government in coffee growing activities dates back to the end of the Second World War, when the statutory body, the Rwanda-Burundi Industrial Crops was created with the primary responsibility for promoting coffee cultivation in the country. After Burundi was "dehyphenated" from Rwanda, the original organization evolved into the Burundi Bureau of Industrial Crops. In addition to having exclusive rights over the purchase of parchment coffee and processing it into green beans prior to sale to the Burundi Coffee Company for export, other functions of Burundi Bureau of Industrial Crops include regulating prices paid to smallholders in a dynamically stable condition, supplying farm inputs to growers, issuing incentive prizes and providing hulling facilities. Prior to Governmental takeover of intermediation functions between growers and exporters in the mid-1970's, these activities were dominated by foreign affiliated firms.

25/ "The Activities of Transnational Corporations in the Coffee Industry of Burundi" (United Nations, ECA Nimeo, 1982) p. 21.

26/ Ibid., p. 19.

43. Over the last two decades, a period covering the time of existence of the Burundi Bureau of Industrial Crops, the performance of the coffee industry has registered mixed results. The area under coffee cultivation post a modest average annual growth rate of about two per cent, increasing from 26,000 hectares in 1964 to 35,000 hectares in 1980. During the same period, the country experienced sporadic and weather-induced fluctuations at the level of output, as well as general deterioration in quality resulting from inadequate attention to harvesting and processing activities. Among African countries, Burundi is distinguished for one of the highest yields. By the end of the Third Five-Year Plan, covering 1978-82, the output of parchment coffee is targeted for a level of 40,000 tons. To help the realization of the planned output target, the Government is promoting projects designed to improve productivity and increase production capacity. These projects include schemes of plant protection, manuring, replacement of old coffee trees and expansion of area under cultivation.

44. Over the last 50 years coffee production in Burundi rose 500 times from merely 60 tons in 1931 to 30,000 tons in 1981. But on account of random disturbances in weather, coffee output has varied markedly from year to year. For example, according to production figures presented in Table 2.5, 13 seasons between 1957/63 and 1979/80, the signs of annual rate of change were distributed between five minuses and seven pluses. 27/

E. Tea in Kenya

45. With just under 50,000 hectares of land under tea cultivation, Kenya is one of the world's major producers and exporters of black tea, ranking as the sixth largest producer after India, China, Sri Lanka, USSR, and Japan, and as the fourth largest exporter after India, Sri Lanka and China. 28/ In 1981, Kenya accounted for five per cent of world tea production and for about 10 per cent of the world trade. With a share of nearly half of the total African production and export of tea, Kenya is the leading country in the tea industry of the continent. After coffee, tea is the second most important source of foreign exchange for the country. About 95 per cent of the total volume of tea produced in Kenya is exported.

27/ Ibid., p. 19

28/ The ranking is based on the volume of production in 1980, published by the International Tea Organization. In comparison with the other major tea producing countries, the area of land devoted to tea cultivation in Kenya approximates 20 per cent of India, 33 per cent of Sri Lanka, 100 per cent of USSR, 130 per cent of Japan and 150 per cent of Turkey. "Transnational Corporations in the Tea Industry of Kenya", pp. 27-28.

46. Estates, mostly owned by transnational corporations and smallholdings, organized under the Kenya Tea Development Authority (KTDA) make up the two sectors of the tea industry in Kenya. During last 20 years, a time approximating the period of existence of KTDA, the most outstanding features of the tea industry have been overall rapid expansion in output and significant transformation in internal structure. 29/ On the eve of the country's national independence in 1963, less than two per cent of the total tea output and about 16 per cent of cultivated area was attributed to smallholdings. By 1980, the share of smallholdings approximated about two thirds of the land under tea cultivation and 40 per cent of the total output. Whereas transnational companies continue to claim a major share of the bulk tea manufacturing and export trade, smallholdings overtook that sector in 1972 in terms of tea growing.

47. In the sphere of tea processing, although the estates control less than half, or 27 of the total number of 66 factories in the country, estates contribute about two thirds to the total volume of made tea. 30/ The disproportion between the number of factories owned and aggregate processing capacity indicates that estate factories enjoy greater economies of scale than their local competitors. Tea factories controlled by KTDA have not fully achieved the capacity to handle the entire supply of green leaf originating on smallholdings. Surplus green leaf is sold to estate companies. But KTDA has matured to a point of achieving full technical and managerial capability for running its own factories which until recently were partially contracted out to transnational corporations in the estate sector.

48. The manufacture and distribution of tea for final consumption on the domestic market is the exclusive monopoly of Kenya Tea Packers (KETEPA), a public company formed subsequent to the break-up of the "pool" and the displacement of Brooke Bond Leibig from a position of monopoly for nearly 50 years. 31/ By statute, all tea factories are

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29/ Figures on trends in the structure of the tea industry are taken from "The Involvement of Transnational Corporations in Food and Beverage Processing Industries of Selected African Countries: A Case Study of Kenya, Zimbabwe and Sudan" (United Nations, 1983), pp. 50-52

30/ Six of the 39 factories belonging to the Kenya Tea Development Authority are still under construction.

31/ Under the "pool" arrangement, all tea factories were required to deliver a fixed portion of their output to a blending and packing plant owned by Brooke Bond Leibig. Under the terms of the agreement, Brooke Bond was paid commission on sales proceeds. (Refer to Section D of Chapter IV for further details).

required to deliver to KETEPA 15 per cent of their output for supplying the local market.

49. Six UK based transnational corporations, consisting of James Finlay (African Highlands Produce Co. Ltd., Stock Highlands Tea Estate); Brooke Bond Leibig (Brooke Bond Kenya Ltd.); Eastern Produce Africa Ltd; Williamson Tea Holdings (George Williamson Kenya Ltd.); Warren Plantation Holdings (Tinderet Tea Estate); Mitchell Cotts (Nandi Tea Estates), virtually control the entire estate sector of the Kenya tea industry.32/ In 1981, the two largest TNCs, Brooke Bon Leibig and James Finlay, accounted for more than one third of the total volume of tea produced in Kenya. Historically, James Finlay specialized in tea production and Brooke in trade. The latter extended to the Kenya market just before World War I by appointing a sales representative to distribute tea carrying the company trade name on the local market. Subsequent opening of a branch office in Kenya and downstream integration into production by Brooke Bond Leibig were prompted by a number of considerations: the rising price of tea on the world market, the wisdom of expanding and diversifying sources of supply outside India and Ceylon, lower production cost and tax inducement, and trade monopoly hitherto enjoyed by Lipton in Kenya. Initial upstream integration of Brooke Bond into tea production was marked by the acquisition of the historic Mabroukie Estate at Limuru in 1924. 33/ One year later, the colonial Government sold 25,000 acres of land at Kericho, a site reserved for a settlement scheme of disabled British officers, to Brooke Bond and James Finlay. 34/ Just before World War II, Brooke Bond controlled about 70 per cent of the area under tea cultivation in Kenya and aggresively pursued further expansion by acquiring Jamji Estate, one of the two large plantations owned by private local interests. 35/

32/ The items in parentheses refer to host country subsidiaries.

33/ Tea was first grown in Kenya on Mabroukie Estate around the turn of the century by a settler farmer.

34/ The land purchase distributed 5000 acres and 20,000 acres between Brooke Bond and James Finlay, respectively.

35/ The second plantation, Buret Estate, was subsequently acquired by Brooke Bond in 1971.

50. With a diversified portfolio of investments in tea production and trade, coffee production and trade, factory management, processing of fruits and vegetables, sisal, export of carnations and chemicals, Brooke Bond Kenya is one of the biggest foreign affiliated holding companies in Kenya. But the position of the company in the tea industry has declined significantly over the last 20 years as a result of the growing importance of smallholdings and direct Government action to curb its dominance. 36/ During this period, both the share of land under tea cultivation and the volume of tea output credited to Brooke Bond declined significantly. The share of land cultivated declined more than two times, falling from about 17 per cent in 1963 to 8 per cent in 1980. Similarly, the share of output fell from just under 40 per cent in 1963 to about 16 per cent in 1980.

51. Among the remaining transnational corporations involved in upstream activities of tea production in Kenya, the subsidiary of James Finlay was credited with a slightly higher percentage share of total output than Brooke Bond Leibig. Four out of the six transnational parents operate wholly owned subsidiaries. As Table 4.13 shows, there is local equity participation of minority shareholders, the host Government principally, in the subsidiaries of George Williamson Tea Holdings and Brooke Bond Leibig. 37/

F. Role of Smallholdings with Special Reference to Tea Production in Kenya

52. Since the record of achievements of the smallholdings sector of the Kenya tea industry is an outstanding case of a success story in the development of tea smallholdings within the world tea industry, it merits considerable attention. In a recent report of the World Bank, smallholdings organized under the Kenya Tea Development Authority (KTDA)

36/ These actions include displacement from monopoly over domestic distribution of tea, prevention from further ownership of land, and reorganization as a public share company and concomitant local equity participation.

37/ Refer to section of Chapter V for further details on the reorganization of Brooke Bond Kenya as a public share company.

were billed as the best at the major peasant-based tea projects anywhere in the world. 38/ Active support of the Government, an effective system of organization and incentives, generous credit support from bilateral and multilateral sources, balanced development of production and processing capacity, indigenization of technical and managerial manpower for field and factory services, optimal size of farms and emphasis on a rigorous quality standard have been identified as critical factors contributing to the excellent track record. 39/

53. The historical development of smallholdings covers a relatively short period of less than 30 years, broken into three important periods: On experimental phase (1955-1959), Special Crops Development Authority (1960-1963), Kenya Tea Development Authority, (1964 onwards). In the mid-1950,s, the colonial Government, against very strong reservations voiced by its European constituency, sponsored a pilot project in Nyeri and Kericho designed to explore the feasibility of promoting the involvement of smallholdings in tea production. 40/ The colonial Government brough two statutory marketing boards, Central Provice African Grown Tea Marketing Board and Nyanza and Rift Valley Tea Marketing Board, underwrote the financing of a tea nursery and a factory for the pilot project. The experiment yielded encouraging results and ushered in the formation of the Special Crops Development Authority (SCDA). The co-operation with inter-agency participation for infrastructural development and provision of extension services, the parastatal organization was entrusted with the task of promoting the development of smallholdings and ensuring their financial viability without direct Government subsidy. Specific functions performed by SCDA included provision of credit facilities to smallholders, intermediation between farms and factories in the delivery of green leaf and the control of processing and marketing activities. Under the sponsorship of the Special Crops Development Authority, lasting about four years before independence, smallholdings made modest gains in raising their share of area under cultivation to about 20 per cent and contributing three per cent to the total volume of tea output.

38/ In the early 1960.s, these tea smallholdings, which at that time were organized under the Special Crops Development Authority, were one of the early beneficiaries of an agro-industry loan from the World Bank, and the Bank continues to be an important source of credit for KTDA. "Transmatormal Corporations in the Tea Industry of Kenya", p. 72.

39/ Ibid., pp. 65-108.

40/ The grounds for the objections were the questionable wisdom of encouraging the production of an important cash crop by African peasants in competition with settler European farmers, lack of peasant know-how, lack of processing facilities, under-development of an infrastructure for rapid delivery of green leaf and insufficient financial resources. Ibid., pp. 65-68.

54. The Special Crops Development Authority was reconstituted as the Kenya Tea Development Authority in 1964, one year after independence, with a statutory responsibility to spread and promote tea cultivation among smallholders with the primary objective of maximizing benefits accruing to them. In 1964, about 130,000 smallholders were registered with the authority. They accounted for about two thirds of the land under tea cultivation and about 40 per cent of total tea production. From 1973-1978, the number of smallholders with KTDA rose from 77,036 to 129,519, at an average compound rate of nine per cent. Since the independence of Kenya, the share of planted hectares and volume of production by smallholdings posted annual growth rates of 20 per cent and nine per cent, respectively. 41/

55. The most important statutory responsibility of the Kenya Tea Development Authority is to act as the parent company of factories engaged in processing green leaf supplied by smallholders. Over the last 25 years, 39 tea factories have been or are being built. Through a vigorous programme of expansion in manufacturing capacity, approximating an average of one and a half factories a year over a quarter century, KTDA has nearly achieved full self-sufficiency in absorbing the entire supply of green leaf originating on smallholdings. Until very recently, a significant percentage of tea harvested on smallholdings was diverted to factories owned by transnational corporations. Another positive development has been the gradual termination of contractual arrangements between KTDA and transnational corporations for the management of manufacturing subsidiaries.

56. The accomplishments of KTDA in the sphere of manufacturing transcends a simple accumulation of factory hardware. In the drive to match manufacturing capability with expanded cultivation, the related problem of indigenizing "liveware" has been given commensurate attention. In a relatively short period of two decades KTDA has evolved into an effective organizational structure with a formidable managerial and technical base. The technical unit has been credited with notable

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41/ Whereas smallholdings were credited with less than half of the volumn of tea output, the high growth rate is dramatized because of a low base in 1963. "The Involvement of Transnational Corporations in the Food and Beverage Processing Industries of Selected African Countries: A Case Study of Kenya, Zimbabwe and Sudan" pp. 43-44.

accomplishments involving technical modifications of the manufacturing process. Prompted by the escalating price of oil, the source of energy for six factories was converted from oil to wood. In response to observe market preference for tea manufactured by employing the "CTC" process, two factories were converted from the "orthodox" process with a built-in flexibility for subsequent reconversion. 42/

57. As a parent company of manufacturing subsidiaries with separate legal identity, KTDA is organized into seven operating and service departments: technical (agricultural), leaf collection, manufacturing, engineering, marketing, accounting, and secretarial (corporate). Smallholders are represented on the board of directors at the parent and subsidiary level. Seven out of 15 directors on the highest governing body of KTDA and two on the board of subsidiary companies are representatives of tea growers. Unlike tobacco growers, who are merely associate producers of a foreign subsidiary with no equity participation in downstream activities of manufacturing, tea smallholders constitute an important group of shareholders in the stocks of tea manufacturing companies controlled by KTDA. In 1979, about 1.3 million shares of tea manufacturing companies were owned by 12,580 registered smallholders a figure approximating three times the equity interest of KTDA in these factories. 43/

58. One of the critical factors for the success of tea smallholdings has been the small size of an average farm. No grower cultivates more than one hectare of land. Between 1973 and 1980 an average holding varied between 0.30 hectares and 0.40 hectares. Individual tea holdings are kept at such a small size in order to enhance the quantity and quality of yield, to encourage cultivation of food crops as a parallel activity, and to promote greater participation of peasants in tea growing.

42/ The two principal methods of manufacturing black tea are designated as orthodox and modern or CTC (Crushing, tearing, curling). The difference between the two process lies in the steps involved before fermentation. In the orthodox method, green leaf is withered and rolled before fermentation; in CTC, green leaf is crushed, torn and curled before fermentation.

43/ "The Involvement of Transnational Corporations in Food and Beverage Processing Industries of Selected African Countries: A case Study of Kenya, Zimbabwe and Sudan" p. 27.

III. STRUCTURE OF INTERNATIONAL TRADE AND THE ROLE OF TRANSNATIONAL CORPORATIONS

A. Bananas

59. Although bananas contribute a very small portion to the total value of international trade and even registered a downward trend during the decade of the 1970's, they are one of the five most important exports from developing countries and a significant source of export earnings for some of them. The share of fruits including bananas in the total value of world trade at the three-digit level of the Standard International Trade Classification declined from about three quarters of one per cent to nearly one half of one per cent over the decade of the 1970's. 44/

60. Bananas are a staple item of consumption in most producing countries, a feature shared with sugar. Hence, only about 20 per cent of the total world production of bananas enters international trade. 45/ But the proportion of export in total production varies significantly among exporting countries. Of 22 countries (listed in Table 1.1) accounting for about 90 per cent of total world export, less than ten of them were reported to have exported more than half of their total production in 1975. Costa Rica, Martinique and Somalia were the only three countries whose export volume exceeded 90 per cent of total production.

61. The supply of bananas to the export market, like most agricultural commodities traded by developing countries, is highly concentrated among a few exporting countries. The 10 leading exporting countries account for about 75 per cent of total world export of bananas.

44/ Handbook of International Trade and Development Statistics, (United Nations Conference on Trade and Development, 1981 Supplement) pp. 154-157.

45/ Most of the figures cited on bananas are from 'Transnational Corporations in Food and Beverage Processing', p. 54. (For further details refer to Table 1.1.).

At the level of seven countries, the concentration of export supply approximates 95 per cent. Over half of world banana exports originate from four countries. The first two leading exporters, Ecuador and Costa Rica, control about 33 per cent of the total value of banana exports worldwide.

62. For a few exporting countries bananas constitute an import component of domestic exports. Among the 19 countries sampled in Table II.1, whose total share of world export approximates 90 per cent, for three countries (Martinique, Guadeloupe, Costa Rica) the contribution of bananas to the total value of domestic exports varied between 25 per cent and 50 per cent in the mid-1970s; in four countries, Ecuador, Costa Rica, Honduras and the Philippines, between 10 per cent and 25 per cent of the total value of domestic exports was attributed to bananas.

63. On the demand side of banana trade, developed market economies--the United States, the EEC and Japan principally-- absorb more than 90 per cent of total world banana exports. Banana trade between importing and exporting countries is noted for a high level of bilateral concentration between sources and destinations, whereby a specific group of supply sources are assigned to one of the major markets of developed economies on the basis of physical proximity, recognized sphere of influence, and previous colonial ties transformed to protected markets through preferential accords. 46/ The United Kingdom is a preferential market for bananas exported from the Caribbean, whereas France is a protected market for those from the franc zone. The United States imports bananas mainly from Central America and Japan from the Philippines and Latin America. The sources of supply for the United States and Japanese markets, while essentially concentrated in a specific region, are relatively more diversified among countries.

64. A highly oligopolistic market structure further compounded by a condition of vertical integration is the most prominent feature of the banana trade. The world trade of bananas is distributed among three leading transnational corporations, four specialist European trading firms concentrating on particular national markets and marketing

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46/ The Marketing and Distribution System for Bananas, (United Nations Conference on Trade and Development publication), pp. 21-40

organizations belonging to co-operatives and governments of producing countries. Although the degree of concentration in banana trade has declined considerably since World War II, the three leading transnational corporations, United Brands, Castle and Cooke (Standard Fruit) and Del Monte, continue to dominate the world trade of banana, sharing 60 per cent of the market. 47/ Shortly after World War II, United Fruit Company, now a subsidiary of United Brands, controlled about three quarters of world banana trade. Although the market share of United Brands has diminished appreciably to less than one third over the last 30 years, the gradual loss of some of its competitive power has not changed the position of the company as the leading transnational corporation of the banana industry.

65. Whereas banana trading firms based in Europe are largely confined to a particular national market, the three leading transnational corporations are active across different national markets of developed market economies. In addition to spatial diversification of markets, the three dominant firms exercise vertical integration spanning a whole spectrum of functions from plantations, import-export trade and shipping, to ripening and distribution. Among them, United Brands, Castle and Cooke, and Del Monte own nine plantations in seven different countries: Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, Panama and the Philippines, with supplemental supply contracts worked out with associate producers in these and other countries. 48/ The other private intermediaries of the banana trade are integrated shipping and trading firms

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47/ The remaining 40 per cent of the world trade in bananas is handled by four European specialist trading firms focusing on particular national markets and six marketing organizations belonging to different producing countries. The rank of the European trading firms includes Compagnie Fruitière (France), Africanische Fruit (Federal Republic of Germany), Atlanta (Federal Republic of Germany) and Geest Ind. (UK). The six producing country marketing organizations refer to Jamaica Banana Prod.(Jamaica), Noboa (Ecuador), Ubesa (Ecuador), Uniban (Colombia), Cababa (Panama) and the National Banana Board of Somalia. "Transnational Corporations in Food and Beverage Processing", p.55.

48/ After World War II, when all banana plantations owned by German investors were placed under the Cameroon Development Corporation, Elders and Fyffs, a subsidiary of United Brands, was given an 18-year concession. Although United Brands was active in banana growing, it is not certain if the company still operates banana plantations in Cameroon. "The Banana Industry in Cameroon" p. 2.

with no involvement in upstream activities of banana growing. Supply arrangements are made through contractual agreement with associate producers in exporting countries.

66. The general outlook for increasing gains accruing to producing countries, by means of expansion in banana export or through downstream integration, does not look bright. With a very low population growth rate in the principal importing countries of developed market economies and the substitution of other fruits, a significant increase in demand is not expected in the immediate future. According to a recent study by the United Nations Conference on Trade and Development on the distribution of gains from banana trade between producing countries and transnational corporations, it is estimated that just a little over 11 per cent of the final consumer value accrues to growers. 49/ In view of a highly oligopolistic market structure characterizing the metropolitan centres and the need for resources required to penetrate these markets, the odds of changing the structure of the distribution of gains through upstream integration do not seem feasible prospects.

67. On a regional basis, with a share of only about 10 per cent in total output, Africa does not figure very prominently in world production of bananas. Since bananas are primarily grown for home consumption in most producing countries, Africa figures even less prominently in the world export of bananas. 50/ Against such a continental background, in addition to Ivory Coast, Somalia and Angola, Cameroon is one of the principal exporters of bananas from Africa.

B. Sugar

68. Until very recently, an export orientation of the commodities and the dominance of transnational corporations over their production were two common features shared by bananas and sugar. In terms of these characteristics, sugar is no longer in the same league

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49/ "The Marketing and Distribution System for Bananas, pp.16-17.

50/ An illustrative case of the consumption orientation of banana production in most African countries is Burundi. According to figures for 1975, Burundi accounted for 3 per cent of world banana production. The same year, according to Table 1.1 nothing was exported. "Transnational Corporations in Food and Beverage Processing", p. 54.

with bananas. During the last few years certain developments have contributed to a significant change in the structure of the world sugar market. One of these developments is the emergence of sugar as an item of staple consumption in all producing countries with domestic consumption as the primary market. Although the share of agricultural commodities sampled in this study generally declined in relation to the total value of all commodities internationally traded, sugar stands out for the declining trend of the percentage share of export in total production. Presently, domestic consumption claimes about three quarters of total world production.

69. Closely related to the reorientation of sugar production to home markets in developing countries is a parallel development in developed market economies in which the EEC has emerged as a major sugar exporter. With a share of 12 per cent in the total world export of raw and refined sugar, 20 per cent of the volume transacted on the free market for sugar and 70 per cent of the submarket for refined sugar, overall the EEC is the second largest exporter of sugar after Cuba. Nearly all the sugar exported by the latter is absorbed by member countries of the Council for Mutual Economic Assistance (CMEA).51/

70. With a share of 70 per cent in total world sugar export and 80 per cent in its raw sugar component, developing countries continue to supply the bulk of the sugar internationally traded. 52/ From the supply side of the picture, one of the outstanding features of the world sugar market is the wide distribution of exports among many developing countries. According to figures for the mid-1970s, the individual shares of 30 developing countries in the world export of sugar was less than one per cent. Among a dozen leading sugar exporters from developing countries (Cuba, Brazil, Philippines, Dominican Republic, Thailand, Mauritius, Argentina, Guyana, Jamaica, Mexico, Peru), only Cuba's

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51/ In the mid-1970's, Cuba was credited with 23 per cent of total world export. During the same period, Cuba exported about 90 per cent of its total production. Sugar accounts for more than 60 per cent in total value of the country's domestic export. Refer to Table 3.1 and "Marketing and Processing of Sugar: Areas of International Co-operation" (United Nations Publication, TD/B/C.1/PSC/29), p.4.

52/ "Transnational Corporations in Food and Beverage Processing". p.64. (For further details refer to Table 3.1).

share of 23 per cent in total world export exceeds a level of 10 per cent of total world export for individual countries. With the exception of Brazil, whose share in world export is approximately 10 per cent, all the remaining exporters from developing countries were individually credited with less than 10 per cent of global export.

71. On the demand side of the picture, more than three quarters of the total volume of raw sugar exported from developing countries are absorbed by developed market economies, more than one quarter by the CMEA. The bulk of raw sugar purchased by CMEA countries is obtained from Cuba through long-term contractual agreement at price levels exceeding those of the world market.

72. Among developed market economies, the EEC and the United States are the most important buyers of raw sugar exported from developing countries. Although the United States produces both sugar beet and sugar cane, about half of the country's requirements are obtained from the outside. Whereas the EEC has become a surplus producer of sugar since the mid-1970's, the Community still imports raw sugar and exports refined sugar. Both submarkets of developed market economies regulate their home markets with export quota allocation as the principal policy instrument, the most notable of which is the Sugar Protocol of the Lome Convention. Before the United Kingdom joined the European Economic Community, it had been a party to the Commonwealth Sugar Agreement and required its replacement by the Sugar Protocol of the Lome Convention as one of the conditions for joining the Community.

73. The two outlets for the export trade of sugar are the special agreement arrangement and the free market. The first type of channels refers to agreements between Governments of exporting and importing countries such as the [illegible] Sugar Protocol of the Lome Convention and supply arrangements between Cuba and CMEA countries. About 25-30 per cent of internationally traded sugar is sold through such agreements. The free sugar market derives such designation from the fact that it is not governed by administered prices and quotas. The free market is a residual market in the sense that it is supplied with surplus sugar remaining after satisfying domestic consumption and meeting special contracts. About 70-75 per cent of world sugar export is traded on the free market. 53/ As the leading trader on the free market, the EEC dominates the supply of refined sugar through this outlet.

53/ "Marketing and Processing of Sugar" Areas for International Co-operation; pp. 22-26

74. One of the most notable developments in the role of transnational corporations in the sugar industry of developing countries has been their gradual disengagement from the upstream phases of sugar production, in favour of private local firms in some countries and state monopolies in others. Out of approximately 1500 sugar cane mills throughout developing countries, no more than 30 are controlled by transnational corporations. The few cases of TNC involvement in sugar cane production in developing countries include Tate & Lyle (Belize, Jamaica, Nigeria, Zambia, Zimbabwe); Lonrho (Malawi, Mauritius, Swaziland); Gulf and Western (Dominican Republic); Misui and Fujimoto (Thailand); Beghin-Say (Uruguay); Booker McConnel (Kenya).

75. The structure of the sugar industry reflects the general pattern of the international division of labour in which developing countries are relegated to the role of supplying raw sugar, while more lucrative downstream phases of refining and marketing remain the sphere of dominance of transnational corporations based in developed market economes. Within this framework, the world sugar market is noted for high levels of concentration in the trade and refining of raw sugar. In most of the countries of developed market economies, the competitive structure of sugar refining varies from monopoly to oligopoly with a concentration ratio, for the latter, ranging from 50 to 100 per cent at the level of less than four firms. 54/ With a few exceptions, such as Tate & Lyle and Beghin Say, the leading firms engaged in sugar trade and refining concentrate on their home markets and generally eschew involvement across national markets. The two transnational corporations own sugar refineries and marketing subsidiaries in both developing countries and developed market economies. In addition to spatial diversification spanning about 150 affiliates in 30 countries, Tate & Lyle is the most vertically integrated transnational corporation in the sugar industry, encompassing estate milling, refining, warehousing, trading and shipping. In contrast with the general behaviour of leading sugar trading and refining firms that shun involvement in upstream phases of raw sugar production, Tate & Lyle remains as the only major sugar trader still engaged in production activities.

76. The most distinguishing features of the leading firms engaged in the sugar trade include a high level of concentration only surpassed by sugar refining, a regional division of trade with respective spheres of

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54/ Ibid., p. 64.

dominance only exceeded by bananas, and a non-corporate form of organization. The leading firms active in the sugar trade include E.D. and F. Mann; Sucres et Denrees; Czarnikow; Czarnikow-Rionda, Woodhouse, Drake and Carey; Golodetz; Philbro, Gill and Duffus, Tate & Lyle.55/

C. Coffee

77. With a share of about one per cent in the total value of international trade, coffee ranks only second to petroleum as the most important item of export from developing countries. 56/ But the similarity between the two commodities ends here. As a result of a very strong bargaining position brought about by the formation of the Organization of Oil Exporting Countries (OPEC) and the leverage of the cartel over prices, the share of oil in the value of world trade rose dramatically during the recent past. On the other hand, in keeping with the general downward trend in the proportion of the total value of the international trade accruing to agricultural commodities, the percentage share of coffee registered a decline during the last decade.

78. The significance of coffee in world trade and the extent of its export orientation is better demonstrated by the distribution of tota output between internal and external markets. According to figures for the mid-1970s, developing countries, which account for the entire world supply of green coffee, exported more than three quarters of their total production. 57/ Among a group of 36 countries (listed in Table ..1) that account for more than 95 per cent of world coffee production and more than 90 per cent of its export, the proportion of total output exported varied from more than 50 per cent for 26 countries, more tha 75 per cent for 18 countries, to more than 90 per cent for 14 countries,

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55/ Ibid., p.22

56/ "Marketing and Distribution of Tobacco" (United Nations Publication, TD/B/C.1/205), p. xii.

57/ Figures cited here are based on FAO production and trade statistics for 1974-76, contained in "Transnational Corporations in Food and Beverage Processing", pp. 82-83, and presented in Table 2. .

It is interesting to note that seven of these countries (Guatemala, Angola, Burundi, Kenya Rwanda, Cameroon, Tanzania) exported more than 100 per cent of reported total production during the period under consideration. The disparity between production and export is explained by release of stockpile or coffee smuggling activities across borders, the latter of which appears to be the more likely case.

79. Another important indicator of the role of coffee in external trade of exporting countries is the share of the commodity in the total value of domestic exports, whose significance varies considerably among countries. On the average, coffee accounts for about three per cent of the total value of domestic exports from developing countries. With reference to the group of countries itemized in Table 2.1, about seven per cent of the aggregate value of domestic export is attributed to coffee. For coffee exporting East African countries like Burundi, Uganda and Rwanda, the contribution of coffee to total export earnings varies greatly. With a share of nearly 90 per cent in the country's total value of domestic export, Burundi is most dependent on coffee as a source of export earnings, more than any producing country. For 16 developing countries, including the 10 leading exporters whose share of world export exceeds 90 per cent, the share of coffee as a source of export earning varies from a critical level of 50 per cent to a significant level of 10 per cent.

80. The export market for coffee, by regions of the world, is distributed between developing countries - more than 90 per cent - and developed countries - less than 10 per cent. Implicit in the regional distribution of the global export value of coffee is the structure of trade in green and processed form. The green coffee submarket, which absorbs about three quarters of world output, is supplied entirely by developing regions of Latin America, Middle East/Africa, and Asia/Pacific, in that order of importance. With a share of more than half in total world export, although Latin America figures very prominently in world trade of coffee, one of the notable developments in the world coffee industry since World War II has been a significant spatial redistribution from Latin America - Brazil in particular_ to African countries. Presently, Africa is credited with about one quarter of world production and about one third of its trade.

81. In spite of the involvement of many developing countries in its production and trade and significant spatial redistribution of these activities, coffee export remains highly concentrated in the hands of a few countries. More than 80 per cent of world coffee export is attributed to the first 10 leading countries. The degree of export concentration is approximately two thirds and one half, at the level of five and three countries, respectively. The leading coffee exporter, Brazil, with a share of nearly one quarter in total world coffee export, has a considerable influence on world supply and price of coffee.

82. In addition to a very high level of concentration in its production and export within a few developing countries, the time profile of the world coffee market, since the end of the first World War, has been marked by fluctuations of supply at irregular intervals emanating principally from recurrence of adverse weather conditions in Brazil. In spite of efforts to restore stability to the coffee market through the International Coffee Organization by administering export quota and expanding storage capacity, weather conditions in Brazil continue to critically influence levels of supply and price. The effect of weather-induced developments in the coffee industry of Brazil on the world market can be inferred from recent variations of activities during the second half of the 1970s. Over a period of five years production varied about five fold from seven million bags in 1975/76 to 32 million bags in 1980/81. During the same period, the volume of export and the share of export in total production varied much more dramatically with increases of more than 100 times in the volume of export and about 25 times in the proportion of output exported.

83. In the light of weather intermittently destabilizing the world coffee market, one of the countermeasures taken by trading parties has been the promotion of storage capacity. Because of more suitable climatic conditions in temperate zones, most of these facilities are located in consuming countries. Arabica stockpiled in developing countries deteriorates after six months unless it is kept in parchment form. On the other hand, Robusta stored in temperate climates can be stocked up to two years without sacrificing quality and can be sold at discount up to five years. 58/

84. Countries of developed market economies absorb about 95 per cent of total world coffee exports. Although the involvement of most Governments in the coffee market is mainly regulatory and promotional, a role designed to reduce fluctuations in export earnings and price, a number of countries directly participate in export activities. Despite such direct involvement in export trade by Governments and quasi-public

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58/ Before World War II, because of limited stockpiling capacity, Brazil was forced to destroy millions of tons of coffee.

organizations, the coffee trade, including submarkets for green coffee and processed coffee, is dominated by private trading companies and transnational corporations engaged in food processing. During the last two decades the international trade of coffee has tended towards greater concentration. 59/ Green coffee is traded on the cash market for stocks already in importing countries or through future contracts transacted between hedgers and speculations.

85. Theoretically, the distribution of gains accruing to coffee producing countries, both in real and relative magnitudes, could be maximized if the four critical variables (demand, price, supply, forward integration) were subject to control. In terms of these factors the outlook of the coffee industry is not optimistic, much less controllable. Historically, the problem of the world coffee market has been slower growth of demand. With the levelling off in demand in developed market economies, whose purchases absorb more than 90 per cent of total world exports, the prospects of sales expansion in the foreseeable future do not look any brighter than the immediate past.

86. At present processed coffee makes up less than five per cent of total coffee exports from developing countries. Potentials for increasing the distribution of gains from processing and distribution through downstream integration are largely determined by economies of scale in individual exporting countries and conditions of entry in consuming countries. In order to realize operating economies of scale from coffee processing for external markets, a country must contribute at least one per cent to the total volume of entering international trade. A country like Burundi does not measure up to the minimal requirements. Even for exporting countries possessing the necessary level of operating capacity for direct involvement in processing and distribution activities, the entry barrier to markets of consuming countries seems impenetrable. A prominently oligopolistic market structure, with a tendency towards greater concentration, is the principal challenge preventing exporting developing countries from laying claim to a share of the market for processed coffee in consuming countries. The market power of transnational corporations dominating the processing and distribution of coffee in the principal consuming regions of the world is further compounded by other monopolistic practices, such as product differentiation, advertising blitz, and control of proprietary technology.

59/ "Marketing and Processing of Coffee: Areas for International Cooperation" (United Nations Publications, TD/B/C.1/PSC/31) p. 27.

87. Indeed, there is a generally discriminatory tariff treatment between coffee in green and processed forms entering most consuming countries. But the tariff differential between raw and processed coffee is not such a critical entry barrier, in comparison with a market structure characterized by a high level of concentration. Among principal consuming countries, the EEC market is a preferential area for exporters from the African Carribean-Pacific group covered by the Lome Convention. Coffee entering the United States in raw or processed form is not subject to import tariff.

D. Tea

89. The share of tea in the value of all goods entering international trade at the three-digit level of the Standard International Trade Classification barely exceeds one tenth of one per cent and declined from about twice that proportion over the decade of the 1970s. 60/ In the structure of world trade for all goods, among the group of commodities sampled in this report the share of tea is the smallest. 61/ The relative value of coffee, for example, is more than seven times that of tea in the structure of world trade for all goods.

90. According to FAO statistics on production and trade, the proportion of tea entering world trade approximates 35 per cent of the volume of world production. 62/ Black tea accounts for more than 80 per cent of the total volume of tea produced and traded world-wide. 63/ Bulk tea is predominantly an export-oriented commodity and is traded on auction markets or "ex-garden", which refers to direct private contract between producers and buyers for immediate or future delivery. Auction markets dominate transactions in bulk tea in most of the major producing countries

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60/ Handbook of International Trade and Development Statistics, 1981 Supplement, pp. 154-157.

61/ Since the share of bananas in the total value of international trade is aggregated with fruits in general, at the three-digit level of SITC, comparison between tea and bananas is not possible. Ibid.

62/ FAO Production Yearbook, 1981

63/ "The Marketing and Processing of Tea: Areas for International Co-operation", p. 2.

and have experienced some notable structural changes during the last 10 years. 64/ Tea sales at all auction centres as a percentage of world production fell about 10 points from 50 per cent in 1970 to 40 per cent in 1980. During the same period, the share of auction centres in producing countries gained five percentage points at the expense of the London Tea Auction, as a result of the increasing importance of ex-garden sales, opening of new auction centres in producing countries, and the emergence of the USSR as a major tea producer, whose output remains outside auction markets. In 1980, auction centres in producing countries were credited with 96 per cent of aggregate tea trade at all auction markets. The same year, the volume of tea trade on the Mombasa auction accounted for five per cent of world tea production and 60 per cent of the country's total output. The promotion of auction centres in producing countries has been cited as a welcome development affecting the distribution of gains in favour of host countries. 65/ The operation of domestic auctions enables host Governments to closely monitor export value and maximizes associated ad valorem tax income. In addition to charging lower brokerage commission fees than off-shore auction centres, domestic auction services have an import substitution effect of economizing on foreign exchange earnings, otherwise payable to brokers in London and elsewhere. Local auctions enhance the bargaining position of the host country by enabling it to withdraw the commodity from the market in the event of price offers failing to meet reasonable expectations. The cost of foreign exchange involved in exercising a similar option in London militates against withdrawal.

91. Auction markets are operated by brokers who perform a function of intermediation between tea producers and buyers without holding title to the commodity being traded. There are inter-auction differences in the form of the relationship brokers maintain with producers and buyers. At some auction centres, notably Mombasa and Calcutta, the same party acts as both a selling and a buying broker. In London and Colombo, on the other hand, a broker acts either as a buying broker or a selling broker. Whether or not the roles of brokers are integrated, there are no discernible differential effects on the distribution of gains between producers and buyers.

64/ Ibid, pp. 5-6

65/ Ibid., p. 7.

92. The defenders of auctions often portray them as a model of competition where the twin forces of supply and demand rule the market. With a high degree of concentration at the buying end of tea auctions, the objective condition of the market structure does not remotely approximate its theoretical portrayal. On most tea auctions only a very few leading transnational corporations of British origin, including Brooke Bond Leibig, Lipton, James Finaly, Lyons-Tetley, Cadbury-Typhoo and Co-operative Wholesale Society account for a dominant share of purchases. The four principal tea buyers on the London auction consisting of Brooke Bond Leibig (S. Smith & Son), Lyons-Tetley (Stansand), Cadbury-Typhoo (Meridan Tea Co.) and Co-operative Wholesale Society account for about 80 per cent of the purchases here. 66/ Brooke Bond Leibig alone is credited with about half of the total tea purchases on the London auction.

93. In developed market economies, other than Japan, the concentration of transnational corporations in the tea industry is nowhere as pronounced as in blending and packing activities. The first eight leading companies (Brooke Bond Leibig, Unilever, Schweppes, J. Lyons, Nestle Alimentana, Standard Brands, Kellogg, Coca Cola) were reported to control 90 per cent of the West European and North American markets.67/ In another more recent UNCTAD study, in which the market share of transnational corporations estimated for a mixed sample of 20 major tea consuming countries from developed and developing economies, control over 60 per cent of the market was attributed to four leading transnational companies, consisting of Brooke Bond Leibig, Lipton, Lyons-Tetley and Twining. 68/ In 11 of these countries the concentration ratio at the level of four firms exceeds 80 per cent.

94. Against a sluggish world demand for tea, principally as a result of its leveling off in developed market economies, expansion of bulk tea export cannot be counted on as a feasible option in increasing gains. Therefore, questions about increasing distribution gains accruing to producing countries should focus on issues of forward vertical integration into the export and marketing of processed tea for final consumption. With regard to trade barriers, virtually none of the countries from developed market economies imposes trade tariff on manufactured tea from producing countries. Although they are not

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66/ The firms in parentheses are the buying subsidiaries of corresponding parent transnational countries. Ibid., p.21.

67/ "Transnational Corporations in Food and Beverage Processing," p. 79.

68/ "The Marketing and Processing of Tea: Areas of international Co-operation" p. 21.

considered to be such critical hurdles for penetrating these markets, manufactured tea exports encounter non-tariff barriers, such as excise duties, trade licensing and health and sanitary standards. In spite of non-discriminatory tariff treatment between processed and unprocessed tea, the share of producing countries is very insignificant in the export of manufactured tea for final consumption. For example, tea imported by the EEC in manufactured form accounts for less than four per cent of the total imports. On the other hand, the EEC is credited with about one third of the total trade of tea in packeted, bagged and instant forms.

95. The most formidable hindrance to the direct participation of tea producing countries in downstream activities of processing and marketing in developed economies is the highly monopolistic market structure featuring the dominant and integrated control of very few transnational companies over processing and marketing phases. The competitive power of tea oligopolists is further compounded by heavy expenditure on brand advertising. Within the existing framework of tea distribution channels in developed and developing market economies, a competition between transnational corporations and producing countries - on what is the home turf of the latter - is an obvious mismatch. If tea exporting countries would rather fight than quit, according to industry observers, one fighting chance they have is through a parallel distribution channel of specialty stores backed by heavy promotion.

96. The focus of collective effort among tea producing countries so far has been confined to co-operation in the spheres of price stabilization through export quota, buffer stocks and generic promotion. However, co-operation among exporting countries in the area of downstream integration has not been given the consideration it deserves. One possible area of collective enterprise among these countries is a multinational joint venture in the development of specialty stores in both developed and developing countries as an alternative outlet for manufactured tea export, subscribed to by participating producing countries. The specialty stores by individual countries, departmentalization under one umbrella organization has the advantage of making manufactured tea from this particular source competitive in terms of advertising economy of scale. One particular market segment of the tea industry where this idea can be tested is in developing market economies where the dominance of transnational corporations is not as overwhelming as on their home turf of developed market economies.

IV. MARKETING SYSTEMS OF SELECTED COUNTRIES AND THE ROLE OF TRANSNATIONAL CORPORATIONS

A. Introduction

97. In the preceding chapter, in addition to portraying the processing and marketing of bananas, sugar, coffee and tea as the sphere of dominance of transnational corporations, the conspicuous absence of commodity exporting countries from participation in downstream activities has been noted. The case of Cameroon for bananas, Zimbabwe for sugar, Burundi for coffee, and Kenya for tea typifies such structure in the international division of labour between transnational corporations and host developing countries. In the sequence of activities from production to consumption in importing countries, none of these countries ventures beyond the stage of exporting the commodities in question in raw or semi-processed form. With reference to the pair of countries and commodities considered here, all value added between export price and retail price is lost to foreign companies. Therefore, the share of a country in the structure of the distribution of gains based on final consumer value is constrained by a ratio whose upper limit is f.o.b. export price to final retail price. Within this limit, there is a wide variation among countries, depending on the degree of control by the host country over production and trade activities. Examples of the two extremes are Burundi, where the host country fully controls all aspects of production and trade and Zimbabwe, whose sugar production and trade are under complete dominance of foreign companies. This chapter briefly examines such outstanding similarities and differences among commodities and countries with particular reference to the structure of trade with implications for the structure of the distribution of gains.

B. Profile of Banana Export Trade in Cameroon

98. During the last quarter century the share of Cameroon in world production of bananas has been subject to considerable fluctuation at a level significantly below one per cent. Although Cameroon contributes relatively more to world trade of bananas than to their production, the share of the country in world export of bananas has been marked by similar fluctuation. For example, during the last half of the 1970s, the share of Cameroon in world export of bananas varied between 2.3 per cent in 1975 and 0.7 per cent in 1980. 69/

99. The production of bananas in Cameroon, which is dominated by direct Government involvement and foreign affiliated companies, is preponderantly an export-oriented activity. According to estimates by the Cameroon Banana Organization, exports

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69/ "The Banana Industry in Cameroon", p. 13.

make up about 90 per cent of total production. 70/ The domestic market serves as an outlet for substandard quality unsuitable for exports but cannot absorb more than 10 per cent of the country's production. With the recent emergence of oil as an important item of export from Cameroon, bananas no longer figure prominently in the country's portfolio of export items. In the mid-1970's, bananas accounted for less than four per cent of the total value of domestic export.

100. In terms of volume, the export trade of bananas is distributed, roughly half and half, between Government marketing organizations and foreign affiliated companies. But the dominance of transnational corporations extends to other phase of the banana trade, including packing export, shipping and distribution in consuming countries. Foreign subsidiaries active in banana export whose parent companies are all based in France include Nyombe Penja Plantations, Nassif Plantations, Cam-Boubou-Pellier, Haut Penja Plantations and Tanane Company. With the exception of the last company, which acts only as a buying agent, all the others run vertically integrated operations of banana growing and export-import trade. Most of the banana trade handled by private companies is intra-firm. For example, the Cameroon based Nassif Plantations and E. Nassif of Paris are producing-exporting and importing counterparts. In addition to providing shipping services, Louis Martin, one of the shipping duopolists controlling the shipment of bananas from Cameroon until very recently, also doubles as a selling broker for Penja Plantations in France.

70/ Note should be made of some inconsistency between two sources on the distribution of Cameroon banana output between domestic and external markets. According to estimates by the United Nations Centre on Transnational Corporations, the volume of exports makes up only seven per cent of total production, which makes banana-growing an activity primarily geared to domestic consumption. On the other hand, according to estimates by the Cameroon Banana Organization, about 90 per cent of the total banana production is targeted for the export market, which renders banana growing an export-oriented engagement. Although the figures from the two sources perhaps reflects different years, the variation in the distribution of total output domestic and external markets is too dramatic to be overlooked. Plantations controlled by the Government and subsidiaries of foreign companies being the dominant sector of banana production, whose activity is principally oriented towards the export market, the estimates of the Cameroon Banana Organization command more credibility between the two versions. "The Banana Industry of Cameroon", p. 12 and "Transnational Corporations in Food and Beverage Processing", p. 54.

101. Historically, United Brands has been associated with banana growing in Cameroon. When all plantations hitherto owned by German companies were brought under the control of the Cameroon Development Corporation, Elders and Fyffs, a wholly-owned subsidary of United Brands, was the only foreign company granted a concession for banana plantations, covering a period of 12 years. Perhaps Elders and Fyffs withdrew from the plantation sector of Cameroon upon maturity of the concession arrangement, but the parent company has a strong competitive position in submarkets of Western Europe which make up both primary and secondary outlets for bananas exported from Cameroon. United Brands controls about 15 per cent of the French market, a preferential area for exports from Cameroon. In the United Kingdom and Italy, two secondary expert markets for bananas from Cameroon, which the French market is unable to carry, United Brands has a market share exceeding one third. In the United Kingdom, United Brands controls 40 per cent of the market and acts as one of the authorized selling agents for the Cameroon Banana Organization and the Commodity Marketing Office. 71/

102. Before 1969, when the Government created the Cameroon Banana Organization, as a result of the persistent decline of the banana industry, the export trade of bananas was under the virtual control of foreign affiliated companies. Although the Cameroon Banana Organization was primarily a regulatory body of the banana industry, entrusted with the task of promoting and controlling the production and marketing of the commodity, the statutory organization also doubles as a banana exporter. The two Government marketing organizations, the Cameroon Banana Organization and the Commodity Marketing Office, ship their bananas to about 10 authorized sales agents located in France (F), Britain (UK), and Italy (I): Banana Company (U.K. F), Marseilles Fruit Company (UK,F), United Fruit Company (UK, F) Agrisol, International Shipment Investment Company, Muribano Company (owner of ripening facilities), Elders and Fyffs (UK), African Shipping Company (I).

103. Although the promotion of the banana trade by developing marketing facilities is one the statutory responsibilities of the Cameroon Banana Organization, no creditable result has been achieved in this sphere. While in transit from plantations to the final port of exit at Douala, many problems are faced in the physical handling of bananas. Facilities for hauling bananas to packing plants and subsequent packing are inadequate. Cameroon Plastics, a wholly-owned foreign subsidiary, is the sole supplier of boxes for packing bananas. A recent interministerial investigative report of the banana industry has attested to the substandard quality of packing boxes supplied by Cameroon Plastics and has recommended import of 'better' quality boxes. 72/

71/ In the United Kingdom, Elders and Fyffs operates ripening facilities with a capacity for handling about 80 per cent of the bananas imported to the country by the company. Fyffs Group Ltd. is a shipping subsidiary of United Brands. The shipping company is one of the duopolists carrying bananas exported from Jamaica to the protected market in the United Kingdom. "The Marketing and Distribution System for Bananas", p.47.

72/ "The Banana Industry in Cameroon" pp. 7-10.

104. Delivery of bananas between packing plants and the port of Douala is mostly done by railway and some by road. Whereas the use of road transportation has the advantage of shorter delivery time, it entails higher cost and a limited trucking capacity. On the other hand, the explicit cost of freight by train is lower, but a number of implicit costs are involved, including longer transit through the hot climate, leading to premature ripening and theft from cars equipped with inadequate facilities for preservation en route.

105. The last snag in the physical handling of bananas destined for the export market is an external diseconomy from environmental pollution engendered by a cement factory located adjacent to the banana dock. In addition to interfering with ventilation and refrigeration processes, some cement dust penetrates packages - a problem ascribed to the quality of packing boxes supplied by Cameroon Plastics.

106. Prior to 1980, all the services for maritime transportation of bananas exported from Cameroon were divided between a duopoly of French Shipping Concerns, consisting of Fabre and L. Marion. The latter shipping firm also acts as a sales broker in France on behalf of Penja Plantations. The continuous hike of ocean freight rates administered by the foreign shipping duopolists prompted the Government to enter the competition in 1980 by forming the Cameroon Shipping Lines. The fledgling Government company operates a one-ship charter for hauling bananas exported from the country and is planning to double its tonnage in the immediate future. The withdrawal of L. Martin from the competition is the direct result of the arrival of the Cameroon Shipping Lines on the scene.

107. In terms of direction of trade between the metropolitan consuming countries and the peripheral exporting countries, the international trade of bananas is distinguished for a very high level of concentration in which individual or groups of countries are paired as sources of supply with particular metropolitan markets. Under these arrangements, the French market is designated as the primary or preferential outlet for all bananas exported from Cameroon, within the framework of the Lomé Convention. The markets of the United Kingdom and Italy, which are protected areas for export from Commonwealth countries of the Caribbean and Somalia, respectively, serve as secondary outlets for surplus exports from Cameroon over sales quotas for the French market.

108. Since the late 1940s the French banana market has passed through two distinct phases of development. During the first 15 years, the conduct of the market was totally left to the forces of demand and supply. When the policy of laissez-faire failed, the Government was impelled to take sponsorship of the Comité Inter-Professionale Bananier (CIB) in 1960, as a multinational regulatory body of banana trade covering the franc zone. The objectives of the organization include maintaining the stability of the banana market, ensuring secure supply for consumers at reasonable price levels, paying remunerative prices to banana growers, and facilitating the physical flow of the commodity to the market.

109. In addition to the exporting countries of the ACP franc zone (Martinique, Guadeloupe, Ivory Coast, Cameroon, the Malagasy Republic) all marketing intermediaries, including brokers, shippers, wholesalers, and retailers are represented on the governing body of CIB. Periodic demand forecasts adopted by CIB are automatically converted to the distribution of export quotas among member countries. With variations among individual countries, the sources of supply for the French market are distributed between the overseas departments of Martinique and Guadeloupe (two thirds) and the Africa franc zone (one third). 73/ Since Martinique and Guadeloupe are just overseas territories, 67 per cent of the French market can be considered as supplied from "domestic" sources. Under CIB arrangements, Cameroon has been allocated a quota of 12 per cent. In addition to administration of import quotas, another policy instrument employed by CIB to control the stability of the banana market is licensing for imports from sources outside the franc zone. Whenever the price level exceeds a predetermined critical value, licenses are issued for import from secondary markets.

C. TNC Dominance Over Sugar Marketing in Zimbabwe

110. With a share of about 40 per cent in the total value of domestic exports, according to figures for the second half of the 1970s, agricultural commodities are a very important source of foreign exchange earnings for Zimbabwe. The major agricultural export commodities include tobacco, cotton lint, meat, maize, coffee and sugar. As a direct result of a policy of self-sufficiency in basic food products and diversification of export commodities pursued by the Smith regime during the period of the Unilateral Declaration of Independence (UDI) as a countermeasure against trade sanctions, the structure of external trade in agricultural commodities went through a transformation. 74/ The proportion of tobacco fell significantly from more than half in 1965 to less than one quarter in 1979. Over the same period while the share of meat increased about five percentage points to just under one quarter, wheat, cotton, soya beans and coffee emerged as important commodities. Among these commodities, sugar stands out for maintaining the same proportion of about 10 per cent in the value of output, both in 1965 and 1979.

73/ The structure of imports into France is based on figures for 1973 and was distributed among exporting countries as follows: Martinique (35 per cent), Guadeloupe (31 per cent) Ivory Coast (18 per cent), Cameroon (12 per cent), Madagascar (3 per cent) and others (1 per cent). "The Marketing and Distribution System for Bananas", p.39.

74/ "Economic Review of the Agricultural Industry of Zimbabwe" (Agricultural Marketing Authority, 1980) p. 6.

111. Although Zimbabwe contributes relatively more to world trade of sugar than to its production, the country ranks among minor exporting countries whose share of world export amounts to less than one half of one per cent. The disproportion between the country's shares in world production and export is partly explained by the distribution of output between domestic and export markets. On the average, during the second half of the 1970s, about 60 per cent of total sugar production was exported. 75/ The bulk of sugar exports from developing countries including Zimbabwe assumes the raw form. One notable exception to this pattern is a contractual sales agreement between Zimbabwe and neighbouring Botswana for refined sugar, consummated during UDI and still in effect.

112. As noted earlier, whereas the structure of the sugar industry in most developing countries in the post-World War II period has been marked by a general disengagement of transnational corporations from upstream activities of production, Zimbabwe remains one of the few exceptions where the entire sector (cane cultivation, milling, refining, marketing) falls under the complete control of an oligopoly of three foreign companies composed of Anglo-American Corporation, Hulett's Corporation and Tate & Lyle Ltd.

113. When the sugar market is viewed in terms of submarkets for raw sugar and refined sugar, two transnational corporations wield monopolistic power over each market segment. Tate & Lyle enjoys a monopoly over sugar refining, its domestic distribution, and export. Zimbabwe Sugar Refineries and Sugar Distributors are the refining and marketing subsidiaries of Tate & Lyle, respectively. Although the primary market for refined sugar is the home front, Tate & Lyle has an outstanding supply contract with Botswana. Half of the output of the Bulawayo plant, one of the two refineries belonging to Zimbabwe Sugar Refineries, is exported to Botswana.

114. Sugar Sales (Pvt) Ltd., a wholly-owned trading subsidiary of Anglo-American Corporation, is the sole exporter of raw sugar from Zimbabwe. In view of the major share of exports in the total volume of sugar output and the company's integrated control over cane cultivation, milling and export of raw sugar, Anglo-American Corporation is undoubtedly the most dominant company in the sugar industry of Zimbabwe. In the aftermath of UDI, through a series of direct and indirect shares acquisitions in Hippo Valley and Triangle estates, the South African conglomerate established firm control over upstream activities of production, as a backward linkage for its monopoly over the export of raw sugar. The integrated activities

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75/ Ibid., p. 168.

of Anglo-American Corporation in the sphere of sugar production and trade extends to financial services through merchant banking subsidiaries and warehousing facilities. At the importing end of the market, raw sugar exported by Sugar Sales (Pvt) Ltd. is handled by leading brokers and trading houses, including Czarnikow, C.F. Mann, Sucres et Denrees, and Phillip Brothers.

D. Government Monopoly over the Coffee Trade in Burundi

115. Burundi contributes an insignificant share of less than one per cent to the world production and export of coffee. But the role of coffee in the national economy is of overwhelming importance. With the share of coffee in the total value of domestic exports approximating 90 per cent, Burundi is over-dependent on coffee as a source of foreign exchange more than any other coffee exporting country in the world.

116. Although Burundi falls below the one per cent mark on both scores, the country contributes relatively more to world export of coffee than to its production. The overwhelming share of coffee in the aggregate value of domestic exports is only surpassed by the share of coffee export in coffee production. The percentage share of export in production is not even governed by an upper limit of 100 per cent in the case of Burundi. According to figures for the mid-1970s on the volume of production and export shown in Table 2.1, Burundi is reported to have exported 152.9 per cent of its total production. An export-production ratio exceeding unity during a given year can be explained only by additional export from existing stockpiles or coffee smuggling activities between Burundi and neighbouring countries.

117. The structure of control over the coffee industry of Burundi is divided between smallholdings for production and the Government for trade. Smallholdings supply 95 per cent of the coffee exported from the country. The Government exercises an exclusive monopoly over the coffee trade through two parastatal marketing organizations: the Burundi Bureau of Industrial Crops for domestic wholesale trade and the Burundi Coffee Company for export. 76/

118. Government monopoly over the coffee trade has been going on for less than a decade and was gradually completed over a period of five years during the last half of the 1970s. The process began in 1974 when all private companies were required to surrender their coffee processing plants for converting parchment coffee to green coffee to the Burundi Bureau of Industrial Crops. As a result of this action, the Bureau became the sole operator of coffee processing plants. At the same time, Buzizi,

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76/ Actually Government monopoly over the coffee trade is confined to arabica coffee (other milds), which makes up about 90 per cent of the total volume of coffee output and does not include robusta coffee grown and exported by foreign affiliated companies. The share of foreign firms approximates five per cent of aggregate exports.

a Belgian firm with involvement in robusta growing, was required to cater for robusta grown on smallholdings and the Ngozi project as a condition for running one processing plant. Three years later in 1977, the Burundi Bureau of Industrial Crops assumed exclusive rights over the domestic wholesale trade of coffee. As an interim measure, private companies - private local firms mostly - were permitted to continue their operations until 1979/80, when all intermediation activities between growers and exporters were fully assumed by the Burundi Bureau of Industrial Crops. Higher income for growers, more revenue for the government, and discouragement of speculative investment were the principal factors that prompted the Government takeover of the domestic wholesale trade of coffee.

119. Before the formation of the Burundi Coffee Company, as a parastal marketing organization with exclusive rights over the export of coffee, the activity was dominated by foreign affiliated trading firms. The involvement of the government in export trade in a regulatory capacity began two years before the formation of the Burundi Coffee Company, when the Government created an inter-agency Coffee Committee, consisting of the Ministry of Economy, the Burundi Central Book and the Burundi Bureau of Industrial Crops, and vested in it the task of introducing a system of control over coffee export. When the performance record of the Coffee Committee proved ineffective, the Government took the next step of assuming direct monopoly over coffee export through the Burundi Coffee Company. For the first three years after its formation, the ownership of the Burundi Coffee Company was divided between the Government (60 per cent) and private firms including foreign affiliated firms (40 per cent). After partial private ownership of the Burundi Coffee Company was terminated, Government holdings were distributed among the treasury (60 per cent), Burundi, Central Bank (20 per cent) and the Burundi Bureau of Industrial Crops (20 per cent).

120. The bulk of the short-term credit from commercial banks is claimed by the coffee trade, and all of it is supplied by a consortium of commercial banks affiliated to foreign parents. On the demand side of the picture, the only borrowers from the consortium are the Burundi Bureau of Industrial Crops for financing processing and domestic wholesale and the Burundi Coffee Company for financing coffee export. Before obtaining the approval of the Burundi Central Bank, a plan of loan distribution among the members of the consortium is determined. The flow of credit or transfer of liability among trade intermediaries closely corresponds to the flow of trade through phases of processing, warehousing and shipping and is closely monitored by lenders in order to ensure that the funds are not diverted from their intended use.

121. In order to stabilize income accruing to coffee growers, the practice of setting minimum internal prices is a common policy among most developing countries. In the case of Burundi, one of the statutory responsibilities of the Burundi Bureau of Industrial Crops is to administer prices paid to coffee growers in line with the policy of maintaining stability in income accruing to them. On its way to the export market, coffee passes through a series of domestic intermediaries, including growers, middlemen engaged in the collection and consolidation of parchment coffee,

processors and wholesalers of green beans, and exporters. Incidental expenses and applicable margins at each level of intermediation enter into price determination and the resulting price structure, known as the "sliding scale", is strictly enforced by the Government. Prices paid to growers are determined by the Government on the basis of price levels prevailing on the world market and neighbouring countries, and are never allowed to fall below production costs or the previous year's price levels. While coffee growers are protected from a fall in their income as a result of depressed prices on the world market, only a moderate amount of upward adjustment is made when the world market experienced a price rise. Hence, the producer price of coffee in Burundi reflects a permanent feature of downward rigidity.

122. The role of foreign companies in the coffee trade of Burundi ended during the second half of the 1970s with the take-over by the Government of all marketing activities. The list of foreign affiliated firms active in coffee trade, prior to their forced withdrawal, included Buzizi, Prostan, Israel D & H, Tenalco, Sodagri, and Burundi Export and Coffee. Before the formation of the Burundi Trades' Association in 1967, these companies as a group wielded a virtual monopoly over coffee export from Burundi. Private local firms had been hitherto effectively excluded from participation in coffee trade and began to make some inroads only subsequently.

E. Dominance of Transnational Corporations Over the Export Trade of Tea in Kenya

123. With a share of slightly less than 10 per cent in the international trade of tea, Kenya is the fourth largest exporter of the commodity among all producing countries of the world. The contribution of Kenya to the world trade of tea is about one and a half times its share in world production, and it has registered an upward trend during the last 20 years.

124. After coffee, tea ranks as the second most important item in Kenya's structure of domestic export. The two tropical beverages contribute more than three quarters of the country's foreign exchange earnings from the export of agricultural commodities, about one quarter of which is attributed to tea. 77/

77/These figures are based on a six-year average between 1972 and 1978. "Transnational Corporations in Agricultural Food Processing Industries of Selected African Countries: A case study of Kenya, Zimbabwe and Sudan", p. 15. Other important items of export from Kenya include fruits and vegetables, hides and skins, petroleum products, and cement and building products. Handbook of International Trade and Development Statistics, pp 154-157.

Eighty-five per cent of the total volume of tea production is exported in bulk form. The remaining 15 per cent is allocated to Kenya Tea Packers for blending-packing and distribution on the local market.

125. Transnational corporations as a group, including those with integrated activities in tea production and trade and buying subsidiaries and agents of trading and manufacturing companies, dominate the export of tea from Kenya. Although the distribution of the volume of trade by buyer on the Mombasa auction is not available, the dominant share of transnational corporations in the export of tea originating in Kenya can be inferred from some indicators about the structure of the industry. 78/ In the sphere of production, the subsidiaries of transnational corporations (Brooke Bond Leibig, James Finlay, Eastern Produce Africa, Warren Plantations, Williamson Tea holdings, Mitchell Cotts) account for about two thirds of the country's total tea output. When the proportion of output originating on foreign owned estates is augmented by the share of (KTDA) tea traded on the Mombasa auction, the volume of external trade in tea handled by foreign companies rises to higher than three quarters of total exports.

126. Prior to 1978, transnational corporations exercised dominance over the export trade of tea and a monopoly power, Brooke Bond Leibig, over manufacturing and marketing on the domestic market. Whereas the dominance of foreign companies has been sustained in the external trade, the monopoly of Brooke Bond Leibig over the blending-packing and distribution of tea on the domestic market has been ceded to Kenya Tea Packers (KETEPA), a private limited company controlled by smallholdings through KTDA.

127. The degree of buyer concentration on the Mombasa auction is not significantly different from that of other auction centres. During the first half of 1982, about three quarters of the volume of tea trade at the Mombasa auction was attributed to seven transnational companies: Van Rees, East African Tea Exporters, Brooke Bond Leibig, James Finlay, Lipton, D.J. Lowe & Co., and Lyons-Tetley. Only buyers, out of a total of 93 authorized by the East African Tea Trade Association to trade on the Mombasa auction, were active in 1981. In addition to trading subsidiaries some of these registered buyers are purchasing agents of foreign-based blenders and traders, who find it more economical to operate through buying agents rather than branch companies.

128. Prior to 1977, the only brokerage house on the Mombasa auction was Africa Tea Brokers. Tea Brokers East Africa Ltd. and Cembrook were subsequently induced to enter the market by the growing volume of tea trade at this auction center. All three brokerage firms play the dual roles of acting as selling and buying brokers with the volume of trade on the Mombasa auction distributed among them". Africa Tea

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78/ "The Processing and Marketing of Tea: Areas for International Co-operation", Annex, p.2.

Brokers (50 per cent), Tea Brokers East Africa Ltd. (35 per cent), and Combrook (15 per cent). The customers of Africa Tea Brokers include the Kenya Tea Development Authority, Brooke Bond Leibig, and James Finlay. Brook Bond Leibig sells its tea through all three brokers, half of which being handled by Africa Tea Brokers.

129. There is an interlocking relationship between London-based tea brokers and transnational companies active in the tea industry of Kenya. Brokerage firms operating on the London tea auction whose parent companies are active in Kenya include S. Smith and Son (Brooke Bond Leibig), Haines and Co. (Brooke Bond Leibig), Stansand (Lyons-Tetely), and Cohen and Griffiths (Williamson Tea Holdings). The three Mombasa-based brokers are also indirectly linked with tea trading transnational companies.

130. The Kenya Tea Development Authority disposes of its tea on the London auction through all four brokerage firms: Thompson Lloyd & Ewart also doubles as the Kenya representative to the UK Tea Council.

131. The second channel for sales of bulk tea is ex-garden or private contract. During the last decade, the share of this mode of disposal has been increasing in importance due to a shorter collection period of sales proceeds, a lower risk of income, and lower transaction costs in comparison with brokerage fees paid on auction markets. About 20 per cent of KTDA sales are channelled through a total of 15 appointed agents distributed among UK (6), US (6), Continental Europe (2), and Ireland (1). Ex-garden sales account for about 15 per cent of Brooke Bond's trade activities in Kenya.

F. End of Brooke Bond Monopoly Over Domestic Distribution of Tea in Kenya

132. The displacement of Brooke Bond Leibig from a position of exclusive monopoly over integrated activities of manufacturing and marketing for tea for local consumption by an organization of smallholders merits a brief review, as a recent and notable case of a renegotiation leading to an agreement between a host country and a leading and well-entrenched transnational corporation with vertically integrated operations and dominant global market power. For 40 years preceding the formation of Kenya Tea Packers in 1978, tea blending, packing and marketing on the domestic market was the sole monopoly of Brooke Bond Leibig. 79/ On the eve of World War II, members of the East African Tea Growers Association created an organization embracing

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79/ The involvement of Brooke Bond Leibig in the tea market of East Africa dates back to period immediately after the end of World War II when the company appointed a local agent for the distribution of tea packers carrying company brands and subsequently opened a branch office in Nairobi. Prior to the entry of Brooke Bond Leibig, the local tea market of East Africa was divided between Lipton for tea packets and Asian traders for processed bulk tea. "Transnational Corporations in the Tea Industry of Kenya" (mimeo, 1983), pp.38-42.

Kenya, Uganda and Tanganyika with exclusive rights over the packing and distribution of tea on the local market, designated as the "pool". Although hotly contested by James Finlay, the management and control of the pool was secured by Brooke Bond Leibig. Under the terms of the agreement, all members of the pool were committed to deliver a fixed quota of bulk tea from their factories to the central packing factory owned by Brooke Bond Leibig to be blended, packed and distributed on the domestic market under brand names belonging to the company. In return for providing packing and marketing facilities and managing the pool, Brooke Bond Leibig was allowed a fixed commission on final sales value. Through the pool arrangement, the monopoly power of Brooke Bond Leibig over the domestic consumer market for tea continued for 40 years until the pool agreement was dissolved in 1978. The breakup of the pool was triggered by the resistance of transnational corporations, principally Brooke Bond Leibig, to the direct representation of the Kenya Tea Development Authority on the governing board of the pool. Upto this point, KTDA was represented on the board of directors by proxy through transnational corporations acting as managing agents of its factories. One year after serving withdrawal notice, KTDA pulled out from the pool in 1977, at the same time prompting others to follow suit. In the interim of one year, between the termination of the "old pool agreement" and the implementation of the "new pool agreement" a temporary arrangement was made among the parties concerned to ensure an orderly transition of the distribution system while renegotiations proceeded between KTDA on one side, and members of the pool on the other side, Brooke Bond Leibig in particular. The negotiations culminated in the "new pool agreement" and the formation of Kenya Tea Packers, as a private limited company with exclusive monopoly over blending, packing and distributing tea on the local market. All packing and distribution facilities belonging to Brooke Bond Leibig, including the Central Packing Factory, distribution depots, warehouses and leaseholds were surrendered to the new company. For the transfer of these assets, Brooke Bond Leibig was compensated 17.5 million Kenya Shillings. 80/ As part of the new pool agreement, all members of the Kenya Tea Growers Association, an entity almost entirely made up of transnational corporations, and KTDA were obligated to deliver to Kenya Tea Packers 13.4 per cent of the bulk tea produced in their factories. The contribution of bulk tea by all members of the new pool was subsequently revised upwards to 15 per cent. In order to prevent a possible breakup of the new pool through voluntary withdrawal of members, prompt delivery of bulk tea quotas was made a statutory obligation. The management contract of Kenya Tea Packers was secured by KTDA for a commission of 4 per cent on total sales value of tea packeted and distributed on the local market. 81/ For the same services a commission of 7.5 per cent was appropriated by Brooke Bond Leibig.

80/ During negotiations concerning the valuation of assets taken over by Kenya Tea Packers, a price of Kenya Shilling 30 million demanded by Brooke Bond Leibig was countered with an offer of Kenya Shilling 8 million. The engineering unit of KTDA is cited as a fine example of technical capability enhancing the bargaining position of a host country in its dealings with transnational corporations. Ibid., pp.112-113.

81/ In order to create more independent domestic marketing organization, with its own internal management control, the management contract between KTDA and KETEPA was terminated in 1980 through direct Governmental initiative.

133. KTDA deserves commendation for the financial sophistication it displayed in packaging the capitalization of Kenya Tea Packers. The design of the capital structure embodies two subtle features: while shifting the major share of total capitalization to transnational corporations, it places the major ownership control with KTDA. In addition to requiring the subscription of all pool members to total capitalization, including debt and equity, and allocating 70 per cent of the capital structure to debt, the financial package is based on a clever formula that ties to the volume of output and area under tea cultivation the distribution of debt and equity, respectively, between transnational corporations and KTDA. On one hand, with a major share of the total output, the financial burden of supplying the major share of debt capital, which in turn made up a major proportion of total capitalization, was assumed by transnational corporations. On the other hand, with a major share of the total area under tea cultivation credited to smallholdings, KTDA retained six of nine directors and 80 per cent equity interest of Kenya Tea Packers an ownership control disproportionately higher than corresponding shares of cultivated land in 1978. Half of the remaining 20 per cent ownership of Kenya Tea Packers was acquired by Brooke Bond Leibig.

134. Prior to 1974, the wholesale and distribution of tea in Kenya was dominated by Asian traders. As of this date, by invocation of the Trade Licensing Act of 1967 which restricts wholesale and retail trade in rural areas and some urban centres to citizens, the wholesale and retail marketing of tea was taken over by Kenyans. 82/ Kenya Tea Packers markets tea through a network of 150 wholesales distributed among Nairobi, 7 provinces and 39 districts on the basis of population distribution.

V. STRUCTURE OF DISTRIBUTION OF GAINS

A. Introduction

135. According to the conceptual framework on the role of transnational corporations in export-oriented primary commodities from developing countries, the prescribed focus of case studies is to explore the manner of relationships between the structure of distribution of gains and multiple factors determining them. One of the objectives of these inquiries is to verify whether or not there has been a notable structural change in the distribution of gains between transnational corporations and countries hosting them during the last 25 years and to explain factors accounting for the changes. 83/ Apart from the general paucity of information concerning the activities of transnational corporations in host developing countries, inorder to appreciate problems encountered in testing the hypothesis, the model suggested in the terms of reference merits a brief restatement. 84/

82/ Kenya Tea Packers has replaced brand names belonging to Brooke Bond Leibig by new national brand names.

83/ "Transnational Corporations in Export-oriented Primary Commodities: A General Conceptual Framework of Case Studies"

84/ The ensuing discussion is a more formal algebraic restatement of the concept of retained value presented in the conceptual framework for case studies. Ibid, p. 29.

136. The two approaches suggested for the analysis of the structure of distributive gains between transnational corporations and host countries are designated as "financial gains" or retained value of exports and "economic gains" or retained value of final consumer price. Conceptually, both models for estimating the structure of distribution of gains are very straightforward. With regard to the measurement of the structure of gains in terms of the retained value of exports, the first requirement is to disaggregate gross export revenue (z) into retained value of exports (w).

$$z = v + w \quad \text{---------- (5.1)}$$

137. The retained value of exports (v) is a summation of its component elements, consisting of wages and salaries paid to local labour (x_1), domestic purchases of goods and services, net of import contents (x_2), interest accruing to local creditors (x_3), distributed profit accruing to local equity participation (x_4), undistributed profit plus depreciation (x_5), and taxes fees paid to the Government (x_6)

$$v = \sum_{i=1}^{6} x_i \quad \text{---- (5.2)}$$

138. Correspondingly, the "repatriated" value of exports (w) is a summation of its component elements, including wages and salaries accruing to expatriate labour (y_1), payment for import of goods and services (y_2), cost of external debt servicing (y_3), and distributed profit accruing abroad (y_4)

$$w = \sum_{i=1}^{4} y_i \quad \text{- - - (5.3)}$$

139. As stated in Equation (5.1), gross export revenue is the sum of the retained value of exports and the repatriated value of exports. Measuring the structure of distribution of gains does not require anything more than expressing the retained value of exports as a relative magnitude.

$$v' = \frac{v}{z} = \frac{v}{v + w} \quad \text{- - - - (5.4)}$$

$$w' = \frac{w}{z} = 1 - v' \quad \text{- - - -(5.5)}$$

Equations (5.4) and (5.5) yield the structure of the distribution of gains between host countries (v') and transnational corporations (w'). The complementary situation between the relative values v' and w', as shown in Equation (5.5), reflects the structure of the distribution of gains as a zero-sum game between the protagonists transnational corporations and host developing countries.

140. The measurement of the structure of distribution of gains in terms of final consumer value yields a more comprehensive result than that based on f.o.b. value of exports. The essential difference between the two standards of distributive structure is value added by forward linkage. Value added through linkage effect (t) is a summation of incremental value associated with a chain of downstream activities between commodity export and final consumption, including processing (s_1), shipping and insurance (s_2, fabricating (s_3), and marketing and distribution (s_4).

$$t = \sum_{i=1}^{4} s_i \quad - - - (5.6)$$

Final consumer value (f) is the sum of gross export revenue and value added through forward linkage.

$$f = z + t \quad - - - - (5.7)$$

Distributive structure in terms of total economic gains (v'') is obtained by expressing the retained value of exports as per cent of final consumer value.

$$v'' = \frac{v}{f} = \frac{v}{z + t} \quad - - - (5.8)$$

The expression in Equation (5.7) implicitly assumes that all the value added by forward linkage is appropriated by transnational corporations. Under existing international division of labour between developing countries and transnational corporations, in which the latter exercise dominance over a broad spectrum of downstream activities, it is not at all unrealistic to suppose that all benefits from forward linkage accrue to foreign companies. Hence, the proportion of gains accruing to a host country in terms of final consumer value is bound to be less than that based on gross export revenue.

$$v' > v'' \quad - - - - (5.9)$$

141. To complete the procedures necessary for analysing and explaining trends in the structure of distribution of gains the next tasks are indentifying and qualifying explanatory variables and running some kind of multiple regression analysis. As the preceding brief review shows, trend analysis in the distributive structure of gains theoretically involves simple procedures. But the empirical application of the model requires an ideal state of information. The condition of information concerning the activities of transnational corporations in general, and in the case of countries covered here in particular, is very remote from such an ideal. As a result, none

of the case studies reviewed here attempts a rigorous, or even a rudimentary empirical analysis regarding the structure of the distribution of gains. Without the availability of a comprehensive information system detailing the activities of transnational corporations in host countries, it may be a difficult but not an impossible task to determine precisely the structure of distribution of gains between the host country and foreign companies, but this limiting condition should not prevent drawing inferences by examining the existing structure of production and trade and evaluating major developments influencing trends in the distributive share of gains. The following few paragraphs are devoted to such an attempt, with reference to commodities and countries covered in this paper. But before embarking on a brief examination of the structure of distribution of gains with reference to a particular country and commodity, one eminently common feature across commodities and countries sampled here merits pointing out. The participation of a developing country in the chain of activities from production to consumption, at the very most, stops at its borders with the export of commodities in raw or semi-processed form. Since all value added through forward linkage between export price and retail price is appropriated by foreign companies, the share of each country in the distribution of gains, measured on the basis of final consumer value, is constrained by a fraction whose upper limit is the ratio of f.o.b. export price to retail price.

B. Cameroon Bananas

142. Before attempting a broad approximation of the structure of distribution of gains from the production and trade of bananas originating in Cameroon, a relatively recent UNCTAD study, on the proportion of final consumer value accruing to different groups making up a system of banana production and marketing, reproduced in Table [illegible], should serve as a point of departure.85/ According to the figures spread between final consumer value and gross export revenue, or value added by forward linkage from the phase of exporting to final consumption, runs to three quarters of retail price. Total value added from downstream activities is made up of freight and insurance (11.5 per cent), ancillary importing activities (11.1 per cent), ripeners' gross margin (19 per cent), and retail gross margin (31.9 per cent). In the case of banana exporting countries whose participation in production and trade at their shores, the entire sum of value by forward linkage accrues to foreign interests.

143. For Cameroon, the country's involvement in banana trade does not stop at its shores. The Government has been directly involved in providing shipping services since 1980. Prior to this date when the Cameroon Shipping Lines, a wholly Government owned company, was formed, maritime transportation of bananas exported from Cameroon was controlled by a duopoly of French shipping companies. The direct participation

85/ "The Marketing and Distribution System of Bananas", pp. 16-17.

of the Government in sea transportation of bananas exported from the country was precipitated by a systematically climbing freight rate administered by the oligopoly of foreign shipping companies. One of the immediate consequences of the Government's entry into the shipping business has been the withdrawal of one of the duopolists from the competition. According to figures in Table I.3 freight and insurance make up 11.5 per cent of the banana retail price, a proportion equal to that obtained by growers. Since the creation of Cameroon Shipping Lines and the withdrawal of one of the two foreign shipping companies from the competition, part of the gains from value added by maritime transportation has been redistributed in favour of the host country.

144. According to UNCTAD estimates in Table I.3, the share of gross export revenue in the final consumer value of bananas is barely over one part in four. With regard to transnational corporations active in the banana industry whose integrated operation reaches back into banana growing, the share of final consumer value accruing to them would top 90 per cent. In Cameroon, in view of the active involvement of foreign companies in integrated operations of growing and exporting bananas, some portion of the f.o.b. value of export accrues to them. In addition to controlling roughly half of the banana production and export, foreign companies exercise monopoly over packing, which makes up more than one quarter of the f.o.b. value of exports.

145. Whereas it is a difficult task to quantify the structure of gains on the basis of qualitative factors just considered, a firmer statement can be made about their trends over time by involving highlights of important developments directly affecting the banana industry of Cameroon during the last few decades. Before the Second World War, all banana plantations were controlled by German companies. After the end of the war, these banana estates were placed under the control of the Government, with the exception of a concession given to Elder and Fyffs. In terms of area under cultivation, more than half of the total banana production is attributed to Government control, through the Cameroon Banana Organization and the Cameroon Development Corporation. Such change in the structure of production over the last three decades has shifted a significant portion of gains accruing to growers in favour of the host country.

146. Prior to the late 1960s, the export of bananas was the virtual monopoly of a few foreign companies. The Government is presently directly engaged in the export of bananas through the Cameroon Banana Organization and the Commodity Marketing Office, and accounts for a significant share of the export trade. The direct involvement of the Government in banana export is a development redistributing gains from export trade, hitherto accruing to foreign companies exclusively, in favour of the host country.

147. Cameroon is a member of the Comité Inter-Professionelle Bananier (CIB), an association of France, as the sole importer, and a group of banana exporting countries from the franc zone assigned to the French market under the Lomé Convention. Prior to the formation of the association, the French market was chaotic. Under the regulatory effectiveness of CIB, stability has been restored to the market. Cameroon commands a higher price on the preferential French market, a supply condition more favourable to gains accruing to the host country in real terms.

C. Burundi Coffee

148. With a share of about one per cent in the aggregate value of international trade, coffee is the second most important export commodity from developing countries after petroleum. The structure of the distribution of gains accruing to different groups controlling various activities in the progression of the product from the stage of production to consumption can be approximated by disaggregating the retail price of coffee into the relative value of corresponding component parts. According to a recent UNCTAD study on the processing and marketing of coffee in which a sample of more than 20 important coffee countries were surveyed, on the basis of 1979 average, the c.i.f. import price of coffee made up about half of its retail price. 86/ In other words, about half of the final consumer value accrued to transnational corporations engaged in the processing and marketing of coffee in importing countries. Among the 23 importing countries sampled in 1979, a wide variation was observed among countries in the percentage share of coffee retail price accruing to processing and marketing intermediaries, ranging from a low of about one third for the United States to a high of nearly three quarters for Yugoslavia, with about equal number of countries falling on each side of the mean value.

149. In 1979, the spread between average import price (c.i.f.) and average export price (f.o.b.) was estimated to be about 7.3 per cent of import price. The difference between the two levels of price is generally accounted for by the cost of freight and insurance, and approximates four per cent since the c.i.f. price of coffee was estimated to be 51 per cent of its retail value. Since the percentage share of f.o.b. export price in final consumer value is estimated on the basis of mean values for the proportions of value added by freight and insurance, processing and marketing, with wide differences among countries, similar dispersion exists about the mean of the proportion of export value in retail price.

86/ All figures for approximating the structure of the distribution of gains with reference to the whole industry are based on "Marketing and Processing of coffee: Areas for International Co-operation", pp.28-37.

150. According to the UNCTAD paper just cited, for a sample of 23 coffee exporting countries, producer's price as per cent of unit value of exports averaged about 58 per cent in 1980. 87/ By type of coffee, the 23 exporters were distributed among colombian milds (3), other milds (11), unwashed arabica (2), and robusta (7). With regard to the percentage share of coffee growers in the export value of the commodity, there is a significant variation among countries, varying from a low of 30 per cent for Angola to a high of 92 per cent for Kenya, and by types of coffee, ranging from a low average of about 45 per cent for robusta to a high of 68 per cent for other milds. According to preceding approximations, since the value of exports averages about 47 per cent of retail price and the means producer's price as per cent of export value is 58 per cent, the proportion of gains accruing to coffee growers works to about 28 per cent of retail price, a figure comparable to two and half times the corresponding value accruing to banana growers.

151. To sumarize the structure of distribution of gains approximated for the coffee industry as a whole, from data on a sample of 23 importing countries and an equal number of exporting countries, slightly more than one quarter of the final consumer value accrues to coffee growers and about 20 per cent to marketing and processing intermediaries between production and export. According to these figures, in a representative coffee exporting country, among these in the sample, where no foreign involvement exists in coffee production or trade, less than half of the retail price accrues to the country. Just under half of the final consumer value goes to transnational companies engaged in coffee processing and marketing. Including freight and insurance, the proportion of coffee retail price claimed by foreign interests exceeds half.

152. The coffee industry of Burundi, composed of production and export principally, is almost entirely controlled by the country. In the sphere of production, smallholdings account for more than 90 per cent of the total output. The Government, through the Burundi Bureau of Industrial Crops and Burundi Coffee Company, respectively, excercises monopoly power over coffee purchases and monopoly power over its export trade.

153. Presently the activities of foreign companies directly engaged in coffee growing and export in Burundi are insignificant. Foreign affiliated coffee growing firms specialize in the production and export of robusta and account for less than 10 per cent of the total volume of output. The Government has a minority share in the equity of foreign affiliated coffee plantations. Indirect involvement of foreign companies in the coffee industry is much more significant and assumes forms of banking, insurance and transportation. In Burundi commercial banking is a sector exclusively controlled by an oligopoly of foreign subsidiaries affiliated to transnational parents. Coffee trade claims the bulk of the short-term credit supply by

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87/ By type of coffee, the 23 countries are distributed among colombian milds (3), other milds (11), unwashed arabica (2) and robusta (7). Ibid., p. 29.

these commercial banks, and on the demand side - to complete the picture - the Burundi Bureau of Industrial Crops and the Burundi coffee company are the sole borrowers. In addition to interest on short-term loans paid to foreign-owned banks from the export price of coffee, some of the gains from gross export revenue go to foreign-affiliated companies involved in insurance and lake transportation, such as SOCABU and ARMOLAC. The Government has some equity participation in most foreign-affiliated companies directly or indirectly connected with coffee production and trade.

154. With the preceding brief review of the structure of the Burundi coffee industry as a background, the implications of the structure of the industry for distribution of gains between foreign and domestic groups, and among domestic subgroups - growers in particular - will be examined next. Commensurate with their indirect and peripheral role in the coffee industry of Burundi, about seven per cent of the f.o.b. export price of coffee accrued to foreign companies, according to figures for the second half of the 1970s.[88] On the basis of this estimate, the percentage of retained value from gross export revenue remaining in the country exceeds 90 per cent. The percentage of f.o.b. export price retained in Burundi can be converted to a structure of gains based on the retail value of coffee, by linking Burundi to the mean value of 47 per cent, as the share of f.o.b. price in its retail price, just estimated for a sample of 23 coffee exporting countries. Considering 93 per cent as the relative retained value of gross export revenue, and an average of 47 per cent as the proportion of retail price going to f.o.b. export price, the proportion of final consumer value accruing to Burundi approximates 44 per cent.

155. The two principal domestic groups between whom gross export revenue of coffee is distributed are the State of Burundi and smallholders. According to records for the last half of the 1970s, the distribution of gains accruing to coffee growers posted mixed results in absolute and relative terms. Gains to producers in absolute terms, as measured by the producer price of parchment coffee, rose steadily (about three fold) over a period of six years between 1975/76 and 1980/81. This is in keeping with Government policy of maintaining dynamic stability in the income earned by smallholders. According to the "sliding scale" formula, as the structure of cost and margin in the formation of coffee price administered by the Burundi Bureau of Industrial Crops is known, the producer price is not allowed to fall below production cost or the immediately preceding year's level of the producer price. The trends of the producer price in tables 2.7 and 2.8, in which the producer price increased continuously for six years with a short kink in mid-period, confirms a policy of dynamic stability in the absolute level of gains going to coffee growers. For a

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88/ "The Activities of Transnation Corporations in the Coffee Industry of Burundi", p. 57.

sale of 20 coffee exporting countries (in which Burundi was not included), the producer price as per cent of f.o.b. export price averaged 58 per cent for all types of coffee and 60 per cent for other milds in 1980. About 90 per cent of the coffee exports from Burundi is the other milds variety of arabica.

156. In contrast with dynamic stability in absolute gains for growers, their relative share fluctuates within a broad range of 45 per cent from 38 per cent to 83 per cent over six years between 1975/76 and 1980/81. According to the "sliding scale" formula, the relative share of growers in gross export revenue varies inversely with the movement of coffee price on the world market. Fluctuations in the relative gains of growers and the inverse relationship between the share of growers in export value and the world price of coffee is consistent with the country's built-in policy of pursuing dynamic stability in the producer price. When the world price of coffee increases by a certain per cent, the effect is dampened by transmitting only a modest share of the rise to the producer price. Hence, when the world coffee price is high, the ratio of the producer price to the f.o.b. export price is low. On the other hand, if the world price of coffee declines, the same ratio must rise, because the producer price must at least equal the level of the preceding year. Therefore, a high share of producer income in gross export revenue coincides with a low world price of coffee. Under conditions of sporadic swings in the level of world coffee price and the "sliding scale" rule regarding the determination of the producer price, while absolute gains of producers rise steadily, their relative gains fluctuate in an inverse step with the movement of world coffee price - rising when they fall and falling when they rise.

157. Since the activities of the Burundi coffee industry are essentially divided between smallholders for production and State for trade, proportions of gross export revenue accruing to the two groups are complementary in the structure of distribution of gains. The share of the Government in f.o.b. export price, therefore, varies inversely with the share of producers and directly with the movement of world coffee prices. In view of an overwhelming 90 per cent share of coffee in total export duty and its significant contribution to Government ordinary budget, coffee export and its price on the world market influences Burundi's fiscal policy significantly.

158. The most outstanding developments in Burundi influencing the structure of distribution of gains between the host country and transnational corporations directly or indirectly linked to the coffee industry are the gradual establishment of State monopoly over all phases of coffee marketing and some State equity participation in foreign affiliated companies. Prior to the formation of the Burundi Coffee Traders Association in 1967, the coffee trade in Burundi was exclusively controlled by foreign firms. Although the dominance of foreign companies continued up to the mid-1970s, some private firms were able to enter the coffee trade during this period. The Government gradually assumed full control over all phases of domestic intermediation between production and export through the Burundi Bureau of Industries Crops during the second half of the 1970s. During the last part of the same decade, another parastatal organization, the Burundi Coffee Company, became the sole exporter of coffee.

These shifts in the structure of control over the coffee trade from foreign companies to the host country are reflected in a similar shift in the structure of distribution of gains. When foreign companies dominated the coffee trade, the distributive share of the host country was not significantly higher than the proportion of the producer price in f.o.b. export value, a percentage figure of less than 50 according to current estimates. With the establishment of State monopoly over the coffee trade, the retained value of export earnings has risen from under 50 per cent to about 90 per cent. During the last few years, Burundi has been able to maximize retained value in terms of retail price is for the country to move downstream into coffee processing and distribution on the export market. In the case of Burundi, forward integration is neither feasible nor advisable. A recent UNCTAD report on coffee processing and marketing indicates an operating volume of one per cent of total world export as the minimum economically feasible capacity for an exporting country to consider forward integration into processing for the export market. 69/ With a share of significantly less than one per cent in the world production and export of green coffee, Burundi does not possess the required scale of operation in order to contemplate such a move. Even if Burundi were in a viable position in terms of operating scale to engage in coffee processing and marketing, pursuit of forward linkage is inadvisable for a country already overdependent on coffee export for foreign exchange. With a share of about 90 per cent in aggregate domestic exports, Burundi is more dependent on coffee export than any other country, and embarking on forward integration within the coffee industry rather than export diversification amounts to compounding this overdependence.

D. Zimbabwe Sugar

159. In addition to an economic structure primarily designed to serve the interests of the white constituency and transnational corporations, one of the problems inherited by the independent Government of Zimbabwe is an information order requiring very minimal accountability from foreign affiliated companies. During the period of UDI, transnational corporations in collusion with the rebel Smith regime transacted business under a legitimized cloak of secrecy. Although the dearth of information on the activities of transnational corporations makes it difficult to determine precisely the structure of the distribution of gains in the sugar industry, it should not be a very difficult task to infer some order of magnitude from reference to the degree of control exercised by the host country and foreign affiliated firms over production and marketing activities in the sector.

69/ "Marketing and Processing of Coffee: Areas for International Co-operation", p. 47.

160. As briefly documented in the preceding chapters, the structure of sugar production and marketing in Zimbabwe remains the sphere of dominance of transnational corporations. An oligopoly of three transnational corporations based in the UK and South Africa fully controls all sector activities, including cane cultivation, milling, refining, marketing of refined sugar on domestic and external markets, and export of raw sugar. Two of these companies, Anglo-American Corporation and Tate & Lyle, own vertically integrated subsidiaries engaged in production and trade. Hence, the degree of control exercised by these companies very closely corresponds to the distribution of gains accruing to them. Wages and taxes make up the main components of value retained by the host country and claim a very small proportion in the structure of the distribution of gains.

161. Although farm labour constituted about three quarters of the work force on sugar estates and associated commercial farms at the beginning of 1980, the share of wages paid to these labourers was barely over 10 per cent of the income earned by farm owners. Subsequent to the minimum wage legislation in which minimum wages for farm labour and industrial labour were raised to 50 and 105 Zimbabwe dollars, respectively, the proportion increased by five percentage points to 18 per cent.

162. In addition to paying subsistence wages for African farm labour, the sugar industry makes an insignificant contribution to tax revenue that borders on being a prolonged tax holiday. Information on taxes paid by the sugar industry is not publicly available, but one can form an impression about the whole industry by examining related figures on Hippo Valley Estates. 20/ Over a period of 10 years between 1971 and 1980, Hippo Valley paid less than $US 84 million taxable income exceeding $US 36 million, which translates to an average tax rate of barely over 10 per cent. In comparison with the legal corporate income tax rate of 45 per cent, Hippo Valley paid only one quarter of the amount of taxes properly chargeable - unless losses accumulated from earlier periods were used as a tax deduction between 1971 and 1976. In addition to the minimum wage legislation, another step taken by the independent Government of Zimbabwe to influence the structure of the distribution of gains in favour of the country is a fiscal measure introducing a 15 per cent surcharge on corporate profits and raising the corporate income tax rate from 45 per cent to 51.7 per cent.

163. As pointed out earlier, one of the notable developments in the sugar industry throughout the developing world in recent years has been the general withdrawal of transnational corporations from upstream activities of sugar production in most of these countries. Zimbabwe remains as one of the very few exceptions to this trend, and the structure of the sugar industry remains intact after national independence. It has been hardly five years since Zimbabwe attained national independence, and with political sovereignty and economic order dominated by transnational corporations, it is perhaps premature to expect a transformation in the structure of control over the sugar industry in such a short time. But it is definitely not too early to

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20/ "Transnational Corporations in the Sugar Industry in Zimbabwe", p. 27.

contemplate some interim and long-term measures that will significantly alter existing arrangements. As an interim measure, direct Government involvement in both domestic and export trade is an alternative to be considered. The country's access to preferential markets of the EEC and the US and its admission to the International Sugar Organization have given the Government more bargaining leverage in its dealings with transnational corporations in matters of export trade. Although transnational corporations are withdrawing from direct involvement in sugar production in developing countries, they are known to maintain technical, managerial and marketing contracts with State monopolies and private national entrepreneurs. In the long run, the Government could consider partial or complete takeover of upstream sugar production activities with non-equity participation of transnational corporations. But an issue demanding immediate attention is the disclosure of basic economic data for closely monitoring the pricing of sugar and tax payments.

E. Kenya Tea

164. With the exception of a small amount of tea packets sold to neighbouring countries, the entire volume of tea exported from Kenya is in bulk form. Apart from 15 per cent of the total tea output, which is blended and packed for local consumption, the remaining 85 per cent is controlled exclusively by transnational corporations between the stages of production and final consumption in importing countries. The entire portion of value added between the f.o.b. export price and final consumer price from activities of shipping, insurance, blending/packing, and distribution accrues to transnational corporations. On the domestic front, tea production and export trade are dominated by foreign companies. In addition to their oligopsonistic power over tea purchases for export, transnational corporations account for about two thirds of the total tea production. The preceding comments on the structure of control over the production, export trade, processing, and marketing of tea originating in Kenya are restated to serve as some qualitative basis for forming a judgement about the structure of the distribution of gains between the country and transnational corporations. As a rough approximation, the entire amount of value added between the f.o.b. export price and retail price as well as a major portion of f.o.b. export price, is appropriated by foreign companies. Although information on Kenya is not available, the proportion of value added between export and final consumption can be approximated from the price structure of tea in some importing countries. The proportion of the f.o.b. export price in the retail price of tea bags varies between 15 per cent for the United States and 47 per cent for Canada, according to figures for 1973 and 1975, respectively. 91/ The share of

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91/ "The Processing and Marketing of Tea", Areas for International Co-operation", p. 20.

export value in the final price of tea packets sold on the United Kingdom market approximated 47 per cent in 1977. The proportion of value accruing to tea growers in India exceeds 60 per cent of the retail price of tea packets.

165. Regardless of the standard of value employed in determining distributive shares -f.o.b. export price or final retail price- the claim of transnational corporations to a larger share of gains is a condition obtaining from their dominant role in virtually all activities of the Kenya tea industry. However, over the last 20 years a number of developments have taken place to influence significantly a shift in the structure of gains in favour of the country. Some of these developments include the active and successful promotion of the smallholding sector under the auspices of the Kenya Tea Development Authority, the end of the Brooke Bond Leibig monopoly over the processing and marketing of tea for domestic consumption and its replacement by Kenya Tea Packers, the creation of a domestic auction at Mombasa, the gradual phasing out of management contracts between foreign affiliated companies and tea factories controlled by the Kenya Tea Development Authority, and some Government equity participation in foreign controlled subsidiaries. In less than 20 years, the share of smallholdings in the total volume of made tea increased from under two per cent in 1963 to nearly 40 per cent in 1980. The monopoly of Brooke Bond Leibig over the processing and marketing of tea for local consumption terminated in the late 1970's with the break up of the 'pool' and was replaced by Kenya Tea Packers, a local private company controlled by KTDA with exclusive rights over tea blending, packing and marketing on the domestic market. Since the second half of the 1970s the entire management of tea factories controlled by KTDA, hitherto contracted out to transnational corporations, has been fully taken over by the parastatal organization, and related management fees have been saved. Modest progress has been made in the direction of promoting local equity participation in foreign owned subsidiaries. For example, the investment portfolio of the Industrial and Commercial Development Corporation, one of the Government owned development finance companies, includes more than 10 per cent of the share of Brooke Bond Leibig (kenya) Ltd. Until very recently when the subsidiary was pressured into reconstituting itself as a public company by the Capital Issues Committee with a view to promoting local equity participation, Brooke Bond Kenya Ltd. was a wholly owned subsidiary of the parent company. In sum, while the major share of the export value of tea originating in Kenya continues to accrue to foreign companies as a result of their dominant role in production and the export trade, some major developments within the industry have contributed positively to the redistribution of some gains from the transnational corporations to the host country. Having briefly considered the implications of the structure of the distribution of gains and trends in the retained value of export earnings, the next focus of attention will be the national policy governing direct foreign investments.

166. The national legislation of Kenya relating to transnational corporations is contained in the Foreign Investment Protection Act of 1964.92/ Before examining the specific provisions of this piece of legislation, the circumstances surrounding its passage merit pointing out. The Foreign Investment Protection Act was enacted one year after Kenya's national independence and was fashioned in the climate of uncertainty attending the birth of the new nation. The provisions of the act were designed to impress both existing and prospective foreign investors and are generally favourable to transnational corporations.

167. In order to be eligible for coverage under the Foreign Investment Protection Act, a foreign company must be a holder of the Certificate of Approved Enterprise issued by the Minister of Finance on the recommendation of the New Projects Committee. The New Projects Committee is an interministerial body and is responsible for evaluating and negotiating direct private foreign investment in Kenya. 93/ The main factors considered in granting a Certificate of Approved Enterprise include the earning or saving of foreign exchange, transfer of technology through indigenization of skilled manpower, creation of employment, utilization of local resources, contribution to rural development and promotion of economic diversification. Tariff protection, exemption from duties, and extent of local equity participation are other items negotiated by the New Projects Committee. In addition to protection against arbitrary expropriation companies in good standing are guaranteed the repatriation of the following items: profits, proceeds from sales of property, and the principal and interest on foreign debt.

168. There is no specific provision requiring a minimum level of local equity participation in the shares of foreign subsidiaries hosted by Kenya. But foreign investors are encouraged to make allowances for domestic equity participation. The Government, through development oriented financial institutions such as the Industrial and Commercial Development Corporation, Agricultural Development Corporation, Industrial Development Bank, and Kenya Industrial Estates, invests actively in the share of foreign affiliated companies traded in the Nairobi Stock Exchange and in joint ventures with foreign partners. The shares of foreign affiliated companies based in Kenya make up the major portion of the diversified investment portfolio managed by the Industrial and Commercial Development Corporation.

92/ For more details refer to "National Legislations and Regulations Relating to Transnational Corporations" (United Nations Publication, ST/CTC/6), pp.53-113 and Guidelines for Investment in Kenya (Kenya External Trade Authority, Nairobi, Government Printer, 1980).

93/ Factors considered in granting a certificate are itemized in the application form presented in Appendix Three in the Guidelines, pp. 31-39.

169. Spheres of investment closed to foreign interests are covered under the Trade Licensing Act of 1967 and include the service sector and trade in all rural areas and restricted urban centres.

170. Some aspects of the financial transactions of foreign affiliated companies are regulated by the Capital Issues Committee. The committee was formed in 1971 in response to a deterioration in the foreign exchange reserve position of the country, to which foreign subsidiaries contributed through capital transaction and transfer of funds abroad. In effect, foreign companies substituted domestic capital for foreign capital and distributed what was the equivalent of liquidating dividends. In order to monitor the effect of such activities on the outflow of foreign exchange the Government directly intervened by setting some rules of conduct with regard to the financing of foreign affiliated companies. All foreign affiliated companies controlled from the outside are required to seek Government sanction before issuance or transfer of shares and for overdraft arrangements exceeding 20 per cent of the parent company's investment in the subsidiary. If a foreign affiliated firm is domestically controlled, the overdraft facility required must exceed 40 per cent of the holdings of the transnational parent in order to seek the approval of the Capital Issues Committee. Additional foreign capital investment in a subsidiary and the capitalization of reserve accounts are continuously monitored. All affiliated companies are required to deposit with the Registrar of Companies and the Income Tax Department copies of the balance sheet, income statement, directors' report and auditor's report. All financial statements must be certified by internationally recognized professional auditors. Foreign companies are required to report to the Minister of Finance any change in their status as a result of change in ownership or change of investment time in order to ammend the Certificate of Approved Enterprise issued to them.

171. The structure of taxes relating to direct and indirect foreign investments discriminates between forms of organization and types of income. [94]/ Branch firms and locally incorporated companies are taxed at rates of 52.5 per cent and 45 per cent, respectively. The difference of 7.5 per cent between the two forms of business organizations is perhaps intended as a fiscal incentive for encouraging foreign affiliated companies to assume legal forms compatible with local equity participation. Dividends, royalties and fees, and interest are taxed at rates of 20 per cent, 15 per cent, and 12.6 per cent, respectively. Tax deductions and investment allowances are provided as special incentives to foreign investors. The investment allowances embody additional inducements for rural locations and labour intensive technology. Kenya has bilateral tax treaties with Norway, Denmark, Sweden, the United Kingdom and the United States.

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[94]/ Ibid., pp. 12-13.

172. Principally, as a result of the development of tea smallholdings, transfer of domestic marketing to local control, and fast expansion of tea factories catering for smallholdings, significant progress has been made in Kenya in changing the structure of the distribution of gains from the production and trade of tea in favour of the host country. But by virtue of their integrated presence in all phases of tea production and trade and their particular dominance over the downstream activities of processing and marketing, transnational corporations continue to appropriate a much larger share of the gains accruing from the processing and marketing of this commodity.

173. In addition to the continued expansion of smallholdings, one possible venue for increasing gains from the tea industry is forward integration into downstream activities of processing tea for export markets. As the structure of the retail price of tea shows, processing and marketing claim the largest share of the final consumer value. Although non-tariff structure barriers are formidable for penetrating the markets of developed market economies, as a result of the highly integrated and concentrated activities of leading transnational corporations, one possible distribution channel in those markets for tea processed in Kenya for final consumption would be specialty stores. But an even more promising sphere of competition with transnational corporations is the market segment in developing countries now served by re-exports from developed market economies. Some advantages enjoyed by Kenya for venturing downstream into tea processing and marketing include the managerial and technical capability accumulated by KTDA, operating economies of scale as a major world producer and exporter of tea, international reputation for its quality of black tea, and access to preferential markets of the EEC.

174. In this chapter, although the precise determination of the structure of distribution of gains from the production and trade of the commodities in question and its trend over time was not possible for lack of comprehensive information, an attempt has been made to convey some impression in each case about its order of magnitude and its trend over the recent past. When trends in the structure of distribution of gains between transnational corporations and host countries (in the context of commodities and countries addressed here) are juxtaposed with trends in the structure of the value of international trade, two countervailing patterns emerge. Whereas the structure of the distribution of gains from the production and trade of bananas, coffee, and tea has changed in favour of the respective countries, the relative share of these commodities in the value of world trade has registered an unfavourable trend over the comparable period. In the end, the issue over the structure of distribution of gains from trade in agricultural food commodities reduces to haggling for a larger portion of an increasingly shrinking pie.

VI. SUMMARY AND CONCLUSION

175. This paper has tried to examine the role of transnational corporations in the production and trade of selected food commodities from developing countries with common features of export orientation (bananas, sugar, tea coffee) and with particular reference to selected African countries consisting of Cameroon (bananas), Zimbabwe (sugar), Burundi (coffee), and Kenya (tea). Although the prescribed terms of reference for papers of this nature are inquiry into the dynamics of the structure of distribution of gains - between transnational corporations and countries hosting them - and power variables figuring in the determination of bargaining position, none of the case studies constituting the backbone of this integrated report measures up to such requirements - not so much for lack of trying as for lack of information. A rigorous evaluation of the distribution of gains between the two players at the financial level, for example, entails as a preliminary step the disaggregation of gross export revenue into its component elements of wages, goods and services, interest, profit, and taxes and the further disaggregation of these elements into portions accruing abroad and those retained in the country - a very difficult task under the information order presently prevailing in most countries. In view of the limiting conditions inherent in the case studies reviewed here, the issue in question was approached within a functional framework of the structure of production, export trade, manufacturing and marketing, both at the national and international levels, with the role of transnational corporations and the structure of distribution of gains as the particular focus of attention. A summary of the highlights of the findings follows.

A. A Global Prerspective in the Structure of Selected Food Commodity Production

176. Whereas bananas and coffee are strictly tropical products, sugar and tea are produced in other climatic zones ranging from tropical to Mediterranean (tea), tropical to subtropical (sugar cane), to temperate (sugar beet). Hence, the contribution of the developing regions of the world to the global production of these commodities varies from exclusive for bananas and coffee, overwhelming for tea, to major for sugar. Within the developing world, Latin America is the leading producer of coffee, bananas and sugar. The region is credited with well over half of the total volume of world production of coffee and bananas. Hardly any tea grows in Latin America. With a share of about two thirds in the aggregate volume of global production, the Asia/Pacific subregion dominates world tea production and ranks as a remote runner-up behind Latin America in the spheres of bananas and sugar. Apart from coffee and tea, whose contribution to world output approximates one third and one sixth, respectively, the Africa/Middle East subregion does not figure prominently in the production of sugar and bananas.

177. In the post-World War II period, the group of commodities considered here - sugar, coffee and tea in particular - registered a structural shift in terms of spatial distribution of world output. One of the most recent and notable developments has been the emergence of the EEC as a major world producer of sugar, as a result of the drive towards self-reliance pursued by the Community through the Common Agricultural Policy. In spite of the significant redistribution in the structure of world production in favour of developed market economies, developing countries still account for the major share of world sugar production - albeit a declining one. With most of the concession coming from Brazil in the case of coffee and the emergence of some African countries - notably Kenya, Malawi, Tanzania and Uganda - as important producers of tea, principally through the development of smallholdings, the Africa/Middle East subregion scored significant gains against Latin America and Asia/Pacific in the sphere of the two tropical beverages.

178. The concentration of commodity production among countries varies from low for bananas and sugar to relatively high for tea and coffee. Since bananas and sugar are regarded as staple items of consumption in most producing countries, there is a general tendency towards a policy of self-sufficiency, especially in the case of the latter, with the attendant result of widespread distribution in production among individual countries. Although the general trends in the production of the group of commodities sampled here point in the direction of decreasing concentration, the two tropical beverages remain relatively concentrated, with the first five leading producers claiming the major share of aggregate global output in both cases.

179. In terms of production technology and scale of operation, sugar and bananas are noted for the dominance of plantations and a relatively high degree of capital intensity. In the case of the latter, this is particularly true for export-oriented cultivation. At the other extreme, coffee growing stands out as an activity employing a scale of operation ranging from small to medium and a labour intensive technology. From the observed pattern of behaviour between production technology and operating scale, the relationship that emerges is a direct one, in which large scale corresponds to high capital intensity and small scale to low capital intensity or high labour intensity. Hence, the dominance of smallholdings over the total volume of world banana production is a conclusion obtaining from the minor share - under one quarter - of total banana output entering international trade and smallholdings as the principal source of supply for domestic consumption. With reference to tea, since both the smallholding and plantation sectors figure prominently in production activities, the picture that emerges is a mixed result on scores of operating scale and capital intensity.

180. With the exception of sugar, there is a direct linkage between the degree of capital intensity and the scale of operation on one hand, and the role of transnational corporations in commodity production in developing countries on the other hand. The activities of transnational corporations in upstream phases of production vary significantly from hardly any for coffee, insignificant for sugar, to very important

for bananas and tea. In view of barely three per cent of total world production coming from the plantation sector, the involvement of these companies in coffee growing is a very rare event. One of the most notable developments in the sugar industries of developing countries, during a period approximating the last quarter century, has been the gradual withdrawal of transnational corporations from production activities in favour of state monopolies in some countries and private national entrepreneurs in others. Apart from more frequent cases of non-equity participation comprised of technical and managerial contracts, the few remaining instances of TNC presence in sugar production in developing countries include Tate & Lyle (Belize, Jamaica, Nigeria, Zambia, Zimbabwe); Lonrho (Malawi, Mauritius, Swaziland); Gulf and Western (Dominican Republic); Mitsui and Fujimato (Thailand); and Beghin-Say (Uruguay).

181. Although the general trends are in the direction of diminishing relative importance in the role of transnational corporations in commodity production in developing countries, their active involvement is nowhere more keenly felt than in the sphere of banana and tea production. The three US based leading TNCs (United Brands, Castle and Cooke, Del Monte) among them, own nine banana plantations distributed across Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, Panama, and the Philippines. In the tea industry, the roster of transnational corporations active in production include Brooke Bond Leibig (India, Bangladesh, Indonesia, Kenya, Malawi, Tanzania, Zimbabwe); Williamson Tea Holdings (India, Kenya, Tanzania); James Finlay (India, Bangladesh, Kenya); Eastern Produce Tea Holdings (Kenya, Malawi); Warren Plantation Tea Holdings (India, Papua New Guinea, Kenya), McLeod Russel (India, Zimbabwe); and Lawrie Plantation Holdings (India, Bangladesh, Malawi). In addition to spatial diversification, another prominent feature of transnational companies engaged in banana and tea production is their general preference for vertically integrated operations, extending forward to manufacturing and marketing in some cases.

B. A Global Perspective in the Structure of Selected Food Commodity Trade

182. Although the commodities covered here are among the top 10 export items from developing countries, their individual shares are generally very insignificant in the aggregate value of international trade and have been declining in relative importance for some time. Towards the end of the last decade the proportions of the value of world trade accruing to coffee, sugar, tea and bananas - in that order of importance - figured less than one per cent. With a share of just under one per cent, coffee is surpassed only by petroleum as the leading export from developing countries and is about seven times as important as tea, according to the same figures.

183. On the basis of average proportion of total world output entering international trade, the four commodities fall into four distinct groups. Whereas bananas and sugar are predominantly oriented towards domestic consumption, tropical beverages are essentially export commodities. According to figures for the mid-1970s, while the share of world banana and sugar output internationally transacted approximated one quarter or less, the corresponding figure for tropical beverages was upwards of three quarters. The significance of variation around these averages, among different exporting countries extends from relatively low for tropical beverages to relatively high for bananas and sugar.

184. Overall, although the tendency is in the direction of decreasing concentration, commodity trade is much more concentrated than commodity production. The degree of concentration in export trade varies from relatively high for tea, coffee and bananas to relatively low for sugar. Within the high group, the degree of concentration at the level of five exporting countries falls between two quarters and three quarters. In terms of supply sources, the world sugar market is the least concentrated among the four commodities. With the exceptions of one or two countries like Cuba and Brazil, whose contributions to the international trade of sugar top 10 per cent, the shares of most exporting countries fall below this mark, with the biggest cluster of exporters on the lowest end.

185. On the import side of the picture, the intensity of concentration among countries is much higher than on the export side. For example, more than 50 per cent of the green coffee and bananas entering international trade are absorbed by developed market economies - notably North America, the EEC and Japan.

186. The principal types of organizations engaged in the international trade of the food commodities in question fall under one of the following groups: public and quasi public marketing concerns belonging to exporting countries, private firms specializing in trade with integrated activities in shipping in some cases, and transnational corporations with varying degree of vertical integration with food processing. By type of commodity, the principal outlets for exports include bananas (primary market, secondary market), sugar (free market, private contract), coffee (cash market, forward market), and tea (auction market, ex-garden sales). The primary market for banans, free market for sugar, and auction market for tea account for the major share of respective export sales. The primary market for bananas refers to preferential arrangements among exporting and importing countries, whereas the secondary market serves as a fall-back for absorbing spillovers from preferential areas. On the other hand, the free market for sugar is a residual outlet after satisfying private contracts. The free market for sugar, its submarket for refined sugar in particular, is dominated by the EEC. Some of the noteworthy developments in the structure of export outlets for tea have been the growing importance of ex-garden sales with corresponding decline in the relative importance of auction markets and the formation of more auction centres in exporting countries, such that auctions in producing countries at present account for the major volume of total transactions at all auction centres.

187. The two most striking features in the international trade of the sample tropical food commodities, across the board, are the highly oligopolistic state of the market structure coupled with the dominance of very few large transnational corporations over downstream activities of export-import trade, manufacturing and marketing, with incidences of vertical integration with production activities in the case of bananas and tea. The trends of competitive structure are somewhat mixed, with a tendency towards increasing concentration for coffee and decreasing concentration for bananas. The leading transnational corporations dominating trade and manufacturing by type of commodity include banans (United Brands, Castle and Cooke, Del Monte) ;sugar (E.D. and F. Mann, Sucres and Denrees, Czarnikow, Czarnikow-Rionda, Woodhouse, Drake and Carey, Goldez, Philbro, Gill and Duffus, Tate & Lyle); coffee (General Foods, Proctor and Gamble, Nestle Alimentana, Douwe Egberts, Coca Cola, Standard Brands, Jacobs, Brooke Bond Leibig, Lyons-Tetley, Kroger, Cadbury-Typhoo, American Brands); and tea (Brooke Bond Leibig, Lipton, Lyons-Tetley, James Finlay, Unilever, Co-operative Wholesale Society).

C. Implications of the Structure of Production and Trade of Selected Food Commodities for the Structure of Distribution of Gains: A Global Perspective

188. By the virtue of their dominant control over downstream activities, transnational corporations appropriate virtually all value added by import-export trade, manufacturing and marketing. The proportion of value added by forward linkage is invariably very high and exceeds 50 per cent of retail price, rising to more than three quarters for manufactured items like tea bags. Since the proportions of final consumer value accruing to transnational corporations and host developing countries are complementary, the distributive share of the latter is bounded by the ratio of the f.o.b. export price to retail price as the upper limit. In the case of bananas, tea and sugar, where the incidence of vertical integration with upstream activities of commodity production has been reported, in addition to the whole spread between the f.o.b. export price and retail price, transnational corporations also participate in the distribution of export revenue.

189. Theoretically, the share of developing countries in the international trade of tropical food commodities can be increased, both in real and relative terms, by means of demand expansion or forward linkage. Among other things, increase in the level of demand for goods is determined by the rate of income and population growth. One of the revealed micro-economic properties common to items of staple consumption is the differential responsiveness of demand to changes in income and population. Generally, basic necessities tend to be population elastic and income inelastic, ceteris paribus. Such being the case, a pessimistic outlook about any appreciable increase in the volume of tropical food commodity exports is a condition obtaining from the overwhelming share of developed market economies in the purchase of these items, the status of these commodities as staple items of consumption, and the general trend of low population growth prevalent in the major importing countries.

190. On the basis of sheer magnitude of the high value added by downstream activities of manufacturing and marketing and the virtually exclusive appropriation of the portion by transnational corporations, the desirability of forward linkage on the part of commodity exporting countries is outwardly defensible. But desirability is one thing and feasibility quite another. The principal entry barrier to the major markets of developed free enterprise economies emanates from the highly oligopolistic competitive structure and the dominance of a few transnational corporations over these markets. In the case of coffee and tea particularly, the concentration of market power is further compounded by such monopolistic practices as product differentiation, intensive brand promotion and proprietary technology. Under these circumstances, direct competition between individual commodity exporting countries and transnational corporations, for markets constituting the home turf of the latter, is an obvious mismatch.

191. Hitherto, efforts of co-operation among commodity exporting countries have been largely limited to the spheres of demand expansion, through generic promotion, and price stabilization, through supply management, by such means as quota administation and expansion of storage capacity for buffer stock. The institutionalization of such multilateral efforts, at the complete neglect of collective enterprise in the sphere of forward linkage, seems to reflect an undercurrent of self-perception on the part of commodity exporting countries in a permanent role of raw material suppliers to the world market. If this kind of self-image and existing conditions have to change, commodity exporting countries must team up in other spheres of endeavour, for they have little else to lose other than the disadvantage of existing economic arrangements.

192. A direct challenge to the manufacturing and marketing prowessof transnational corporations on a scale comparable to their awesome size is transparently beyond the financial, economic and technical capabilities of any commodity exporter individually - a very compelling reason for these countries to pool their resources and sponsor a multinational joint venture in the international marketing of final consumer products, particularly in the line of tropical beverages. The particular marketing strategy to be pursued requires further exploration, but one possible candidate for consideration is an international chain of specialty stores organized into departments by tropical beverages manufactured in subscribing countries. One immediate advantage to be imputed to this channel of distribution is economies of scale from advertising. In comparison with supermarket chains associated with food processing transnational corporations, two strong selling points of the specialty stores should be product quality and concessionary price. The proposed specialty stores can be market-tested in developing countries now serving as targets of re-export for transnational corporations, with a view to final assault on the markets of developed market economies. Against the background of the third world, which is more prone to conflict than co-operation and to the disintegration of regional communities, like the East African Economic Community, a notion of multinational joint venture among commodity exporting countries may appear more like wishful thinking than a viable strategy against the onslaught of TNCs. But there is an

object lesson to be learned from the successful response of the consortium of five European countries (France, United Kingdom, West Germany, Italy, Spain) by promoting Aerospatiale, to the US dominance over commercial aviation.

D. Strucuture of Selected Food Commodity Production with reference to Sample African Countries

193. With the exception of Kenya, whose contribution to world tea production exceeds five per cent and ranks the country among the first six leading producers accounting for more than three quarters of the global volume, Cameroon (bananas), Zimbabwe (sugar), and Burundi (coffee) do not figure significantly in the world production of the respective commodities. The shares of each of the three last countries in aggregate world production of the respective commodities fall below one per cent. In relation to their individual economies, however, each of the four commodities is generally important, with different degrees of significance among countries. The degree of significance varies from overwhelming for coffee in Burundi, major for tea in Kenya, and very important with regard to sugar in Zimbabwe and bananas in Cameroon.

194. In terms of the structure of control between domestic and foreign groups, the production of sugar in Zimbabwe and coffee in Burundi represents two extreme and opposite cases, whereas the production of tea in Kenya and bananas in Cameroon exemplifies gray areas in the intermediate range. At one extreme, sugar production in Zimbabwe is a group monopoly of three transnational corporations, besides a minor involvement of commercial farmers in cane cultivation as associated producers attached to one of the sugar milling plants in the country. At the other extreme, smallholders exercise virtually complete control over coffee growing in Burundi. The activities of foreign affiliated companies in coffee production are strictly marginal and are confined to the cultivation of robusta, whose share in over-all coffee production approximates five per cent. In terms of the distribution of coffee output between plantations and smallholdings, the structure of production in Burundi conforms very closely to the mean value for all coffee producing countries.

195. The complete dominance of transnational corporations over all aspects of the Zimbabwe sugar industry stands out, both among the ordered pairs of commodities and countries considered here and in relation to the sugar industries of other developing countries where foreign companies have manifested a behaviour pattern of gradual withdrawal from upstream activities of production. The oligopoly of transnational parent companies and their producing subsidiaries wielding full power over the sugar sector of the economy consists of Anglo-American Corporation (Hippo Valley Estates), Hulletts Corporation (Triangle Estates) and Tate & Lyle (Zimbabwe Sugar Refineries). The production of raw sugar is divided between Hippo Valley Estates and Triangle Estates. The parents of these subsidiaries swear allegiance to South Africa. Sugar refining is a monopoly of Zimbabwe Sugar Refineries. The company operates two plants, one located in Harare and the second in Bulawayo.

196. The market power of Zimbabwe-based sugar companies is further enhanced by a network of interlocking ownership among them. The ownership of Mkwasine Estates is divided, half and half, between Hippo Valley Estates and Triangle Estates. Anglo-American Corporation, the parent company of Hippo Valley Estates, owns a one-third interest in Hulletts Corporation, the parent company of Triangle Estates. Anglo-American Corporation has a minority holding in Zimbabwe Sugar Refineries, and the latter in turn owns some shares of Hippo Valley Estates.

197. The complete dominance of transnational corporations over sugar production in Zimbabwe dates back over the last 30 years and remains intact in the post-independence period.

198. In Cameroon, banana production targeted for export markets comes exclusively from plantations owned by foreign affiliated firms and farms sponsored by the Government. The latter account for slightly more than half of the area under cultivation in the plantation sector and are organized under two statutory bodies: Cameroon Banana Organization and Cameroon Development Corporation (CDC). The Cameroon Banana Organization was formed in 1967 in response to a persistent decline in the volume and quality of banana production. The Cameroon Development Corporation is an outgrowth of the predecessor Colonial Development Corporation (also CDC) under whose control were brought all banana plantations belonging to German companies in the aftermath of the Second World War. Foreign affiliated firms engaged in banana cultivation are owned by parent companies based in France and include Nyombe Penja Plantations, Nassif Plantations, Cam-Boubou-Pellier Plantations, and Haut Penja Plantations. According to area under cultivation, these plantations account for a little less than half of the volume of production in the estate sector.

199. Tea production in Kenya is divided between estates owned by transnational corporations and smallholdings organized under the Kenya Tea Development Authority (KTDA). At the beginning of this decade, the estate sector was credited for about one third of the total area under tea cultivation and 60 per cent of the total output volume. The relative share of estates declined from 84 per cent to 33 per cent in terms of total area under cultivation and fell from 98 per cent to 60 per cent in terms of output volume between 1963 and 1980. The group of parent transnational corporations and their producing subsidiaries active in tea production here include Brooke Bond Leibig (Brooke Bond Kenya Ltd.), James Finlay (African Highlands Produce Co., Ltd., Sotik Highlands Tea Estate), Eastern Produce Tea Holdings (Eastern Produce Africa Ltd.), Williamson Tea Holdings (George Williamson Kenya Ltd.), Warren Plantation Tea Holdings(Tinderet Tea Estate), and Mitchel Cotts Ltd. (Nandi Tea Estate). Among them, these companies own 27 of the total number of 66 tea factories in the country. The subsidiaries of Brooke Bond Leibig and James Finlay, the two largest foreign affiliates, account for more than one third of the total volume of tea production in the country and more than half of that in the estate sector.

200. The role of smallholdings in production across commodities and countries considered here varies from non-existent for sugar in Zimbabwe, insignificant and exclusively oriented to home consumption for bananas in Cameroon, major for tea in Kenya, and virtually exclusive for coffee in Burundi. In quantitative terms, the relative share of smallholdings in the aggregate volume of coffee production in Burundi tops twice that of their tea counterparts in Kenya, but the latter stand out on a number of qualitative considerations. Tea smallholdings in Kenya are organized under KTDA, a parastatal entity with a mission of promoting tea cultivation among smallholders with a view to maximizing economic benefits accruing to them. The authority is responsible for the management of 39 factories catering for green leaf originating on smallholdings. At the beginning of this decade, there were just under 130,000 smallholders registered with KTDA. An average smallholding measures less than one half of one acre. Among other things, a very important difference between coffee smallholders in Burundi and tea smallholders in Kenya lies in the extent of their participation in downstream activities of processing and trade. Whereas the former are strictly confined to coffee growing, the latter are indirectly involved in tea processing and marketing through equity participation in tea factories controlled by KTDA. In 1979, 12,580 smallholders were reported to own 1.3 million shares of these factories among them. Representatives of smallholders sit on the KTDA board of directors both at the parent and subsidiary levels. Seven of the 15 directors on the highest governing body of KTDA are elected from the ranks of smallholders.

201. Although transnational corporations continue to dominate tea production in Kenya, the structure of production has changed significantly in favour of smallholdings during the last two decades. During the first 17 years after national independence, a period coinciding with the time of existence of KTDA, the area under tea cultivation in the smallholding sector increased four fold from under one sixth to four sixths, and the volume of output about twenty fold from barely two per cent to 40 per cent. According to a World Bank evaluation, the development of tea smallholdings in Kenya stands out head and shoulders among major peasant-based tea projects anywhere in the world. 95/ The success story is attributed, among other things, to active Government sponsorship, an effective system of organization and incentives, a generous credit supply from multilateral and bilateral sources, balanced development of production and processing capacity, indigenization of managerial and technical manpower, small and optimal farm size, and emphasis of a rigorous quality standard.

95/ "Transnational Corporations in the Tea Industry of Kenya", pp. 94-95.

E. Structure of Selected Food Commodity Trade With reference to Sample African Countries

202. There is a high degree of congruity between contribution to world production and share in world trade across the ordered pairs of selected commodities and countries surveyed here. Again, with the exception of Kenya, which plays in the major world leagues in the fields of tea production and trade, the individual shares of Cameroon (bananas), Zimbabwe (sugar), and Burundi (coffee) hover below one per cent in the total volume of world trade. With a share of about ten per cent in world trade, Kenya ranks among the four leading tea exporting countries, together accounting for slightly less than three quarters of the total world volume.

203. In terms of the structure of domestic exports within their respective national economies, the four commodities are among principal sources of foreign exchange, with significant variation among countries. In Burundi coffee is credited with about 90 per cent of the country's total export earnings. With reference to Kenya, tea ranks only second to coffee as the main source of foreign exchange from the export of agricultural commodities. The two tropical beverages account for about three quarters of the total export value accruing to the country from external trade in agricultural commodities. In addition to tobacco, cotton, meat, coffee, and maize, sugar is one of the major agricultural exports from Zimbabwe. The contribution of these goods to the total value of export trade in agricultural commodities approximates 40 per cent. Although their relative importance has declined significantly since the recent emergence of petroleum as the leading export from the country, bananas are still rated among main items of domestic export from Cameroon.

204. As pointed out earlier, sugar and bananas share a common feature of general orientation toward domestic consumption as evidenced by the average proportion of world output entering international trade. However, sugar from Zimbabwe and bananas from Cameroon are predominantly export commodities according to the same criterion. Bananas from the plantation sector of the Cameroon economy are exclusively targeted for export markets. In addition to some per cent of refined sugar sold to Botswana through a private contract between the two countries, the major share of raw sugar output from Zimbabwe is exported.

205. One of the outstanding differences between bananas and sugar on one hand and coffee and tea on the other is the consumption orientation of the former group and the export orientation of the two tropical beverages. The production of coffee in Burundi and tea in Kenya fits into that mold to a much greater extent. The proportion of total output volume entering international trade varies from 85 per cent for tea in Kenya to virtually all for coffee in Burundi. In addition to export orientation, another common feature among the ordered pairs of commodities and countries is sales in raw or semi-processed form.

206. The structure of control over commodity trade between domestic and foreign groups, including export and home markets, varies between two extremes: from State monopoly for coffee in Burundi to foreign monopoly for sugar in Zimbabwe. In a manner similar to the structure of control over production, the structure of banana trade in Cameroon and that of the tea trade in Kenya are distributed between foreign and domestic interests.

207. Coffee trade is the sphere of virtual Government monopoly in Burundi. The Bureau of Industrial Crops is the sole buyer of parchment coffee and controls all facilities for conversion of green coffee. All rights for coffee export, other than robusta produced and exported by foreign firms, are reserved for the Burundi Coffee Company. Before the gradual establishment of Government monopoly over coffee marketing through the two parastatal organizations, during the second half of the 1970s, this line of trade was dominated by foreign firms whose parent companies were predominantly based in Belgium. Presently, direct foreign involvement in the coffee trade is marginal and is confined to two firms (Buzizi, Sobumines) engaged in integrated activities of robusta production and the export trade.

208. In Zimbabwe, the sugar trade is controlled exclusively by a duopoly of transnational corporations with vertically integrated activities with production and with pockets of monopoly in submarkets for raw sugar and refined sugar. Anglo-American Corporation through its wholly owned trading subsidiary, Sugar Sales (Pvt) Ltd., is the sole exporter of raw sugar from the country and counts among its buying customers dominant firms in the international trade of sugar: Czarnikow, E.F. Mann, Sucres et Denrees and Philbro. Towards the end of the last decade, as part of a strategy presumably designed to exercise control over all sources of raw sugar, Anglo-American Corporation acquired a one third interest in Huletts Corporation, the parent company of Triangle Estates.

209. Tate & Lyle, through majority ownership of Zimbabwe Sugar Refineries and Sugar Marketing (Pvt) Ltd., wields monopoly power over vertically integrated operations of sugar refining and marketing, including domestic distribution and export. Less than half of the total volume of raw sugar produced in the country is refined and in turn a minor share of the manufactured product is sold to neighbouring Botswana in keeping with a contractual agreement consummated during UDI.

210. The export of bananas from Cameroon is divided roughly half and half on the basis of area under cultivation in the plantation sector between Government marketing organizations and foreign affiliated firms with vertically integrated involvement in production and intra-firm export-import trade. The two Government owned marketing organizations, the Cameroon Banana Organization and the Commodity Marketing Office, sell bananas externally through about 10 authorized agents distributed among France, the United Kingdom and Italy. Whereas banana exports to France receive preferential treatment, the United Kingdom and Italy serve as secondary outlets for surpluses exceeding quotas for the primary French market. One of the authorized sales agents in the United Kingdom is Elder and Fyffs, a subsidiary of the United Brands, with a

record of early involvement in banana cultivation in Cameroon. United Brands has significant market shares in all three importing countries. Cameroon Plastics, a wholly owned foreign subsidiary, is the exclusive supplier of packing boxes for bananas exported from Cameroon. Prior to the formation of the Government owned Cameroon Shipping Lines, maritime transportation was provided by a duopoly of French based shipping companies consisting of Fabre and L. Martin. The latter was subsequently forced to withdraw from competition as a result of the entry of Cameroon Shipping Lines.

211. Cameroon is a member of Comite Inter-Professionelle Bananier (CIB), a multinational organization consisting of France and banana exporting countries from the franc zones of Africa and the Caribbean, and is entrusted with the tasks of maintaining market stability, ensuring secure supply for consumers at remunerative prives for producers, and facilitating physical flow between sources and destination. Demand forecasts made by CIB are allocated among member countries on the basis of an established quota structure. Under these arrangements Cameroon has been allocated 12 per cent of the French market.

212. In terms of the dominance of transnational corporations, the tea industry of Kenya in general (and the sphere of export trade in particular) is only surpassed by the sugar industry of Zimbabwe. For example, most of the top 10 buyers of the Mombasa Tea Auction are trading subsidiaries or buying agents of some of the leading transnational corporations in tea marketing (Brooke Bond Leibig, James Finlay, Lipton, Lyons-Tetley, Co-operative Wholesale Society, Van rees), accounting for more than 30 per cent of the total purchases, according to figures for the first half of 1981. Some of these companies, notably Brooke Bond Leibig and James Finlay, are also vertically integrated with upstream activities of tea production in Kenya.

213. As noted above, one of the important developments in the structure of the world tea market has been the proliferation of auction centres in the principal exporting countries, including the opening of the Mombasa Tea Auction. In 1980, this auction handled about five per cent of the total volume at all auction centres. The three brokerage firms in Mombasa and their market shares consist of Africa Tea Brokers (50 per cent). All three play dual roles of acting as buying and selling brokers. Prior to 1978 when the other two firms opened shop, Africa Tea Broker was the only brokerage house on the Mombasa Auction. The brokerage firms are reportedly linked with companies performing similar functions on the London Auction, through ownership interest.

214. Two noteworthy events in the tea industry of Kenya during the second half of the last decade were the gradual phasing out of the management agency relationship between tea factories owned by KTDA and the forced withdrawal of Brooke Bond Leibig, in favour of Kenya Tea Packers, from a position of monopoly over the packing and distribution of tea for local consumption, as a result of the breakup of the "pool" agreement. The pool agreement remained in effect for about 40 years up to 1977.

Under its terms all tea factories in the country were required to contribute a fixed per cent of their output to the Central Packing Factory owned by Brooke Bond Leibig. The management of the pool, including blending, packing and marketing under company brand name, was conceded to Brooke Bond Leibig for a fixed commission on gross revenue. The pool agreement was terminated in 1977 and was replaced by Kenya Tea Packers (KETEPA), a private local company controlled by KTDA. By statute, all tea factories in Kenya, including those belonging to transnational corporations, are required to allocate 15 per cent of their output to KETEPA. The capitalization of the company, debt and equity included, is subscribed to by both KTDA and transnational corporations engaged in tea production and embodies some interesting features. The financial structure is made up of three quarters debt and one quarter equity. The formula for the distribution of debt and equity between transnational corporations and KTDA is linked to the volume of tea output and area under cultivation, respectively - a very clever financial strategy that shifts the major burden of local capitalization to transnational corporations while placing the major share of ownership control with KTDA.

F. Implications of the Structure of Production and Trade for the Structure of Distribution of Gains With reference to Selected Food Commodities and Sample African Countries

215. In the preceding summary of highlights of the structure of production and trade, conclusions regarding the related question of the structure of distribution of gains between transnational corporations and the selected countries hosting them were left implicit. In the remaining few pages this issue is stated more explicitly commodities by commodity and country by country.

216. As noted earlier, commodity exporting countries in general and the ones referred to here in particular are totally excluded from participation in all downstream business activities between the stages of export and final consumption, in favour of transnational corporations. As a result, the whole sum of related value added by forward linkage from freight, insurance, manufacturing and marketing is appropriated by foreign interests. In no case does the relative share of gains accruing to a host country exceed the ratio of export value to final consumer value. And this figure invariably falls below 50 per cent on a scale of 100 for retail price, with significant variations among commodities and the forms into which they are manufactured for final consumption, particularly in the case of tropical beverages.

217. In addition to value added by forward linkage after the export of raw sugar, virtually all gains associated with domestic production and trade in Zimbabwe are pocketed by transnational corporations by virtue of their complete dominance over the entire sugar industry. Wages paid to domestic labour and tax revenue received by the Government make up the bare elements of export earnings trickling to the country. Foreign companies are the principal beneficiaries of the country's access

to preferential markets issuing from the recent attainment of legitimate sovereignty. Apart from the recent legislation of minimum wages and moderate tax increase, the structure of the sugar industry and, hence, the structure of distribution of gains, remains intact in the post-independence period.

218. The proportion of gross export revenue accruing to foreign companies in Burundi corresponds very closely to their marginal role in coffee production and trade, and barely exceeds five per cent. Since the relative distribution of gains between the host country and foreign affiliated firms is complementary, the share of Burundi in the export value of coffee tops 90 per cent. Within domestic groups, the proportion of earnings retained by the country is divided between the Government and smallholders. The producer price paid to the latter is characterized by built-in features of dynamic stability and downward rigidity. As a matter of policy, the price paid to growers is maintained at a level exceeding production cost or the previous year's producer price. In relation to the price of coffee on the world market, the producer price as per cent of this value moves in inverse step. When the price of coffee on the world market rises, the producer price is adjusted only moderately in response. On the other hand, when the world price of coffee falls, no corresponding downward adjustment in the producer price is made. Since the relative shares of the Government and coffee growers in export value are complementary, the former varies directly with changes in price on the world market.

219. By virtue of complete control over coffee production and trade, Burundi has been able to achieve near maximum retained value in terms of gross export revenue. In order to raise gains further, the remaining theoretical alternatives are steps in the direction of forward linkage with manufacturing and marketing, but these options are inadvisable for two main reasons. One, Burundi does not have the minimum volume of export necessary to meet the scale of coffee manufacturing economically feasible. Two, the country is already overdependent on coffee as the sole source of export earnings - perhaps more than any other country in the world - and any step in the direction of forward linkage, in lieu of export diversification, is tantamount to compounding existing overdependence.

220. According to a 1972 UNCTAD estimate, on the average, the c.i.f. import price makes up about 30 per cent of the final consumer value of bananas, distributed about 25 per cent f.o.b. export price and 13 per cent freight and insurance. On the basis of the distribution of the structure of control between foreign companies and the host country over activities of banana production, export trade and shipping, and assuming stability in the structure of costs and margins entering into the formation of retail price, the proportion of final consumer value accruing to Cameroon approximates roughly between 10 and 20 per cent. In view of the Government's recent direct involvement in the export and shipping of bananas, there has been a moderate shift in the distribution of gains in favour of the country as a result of the partial indigenization of these activities.

221. In spite of the significant structural change in the production of tea in Kenya, principally due to the active promotion of smallholdings, the major share of the export value of tea continues to accrue to transnational corporations. Some of the major factors contributing to changes in the structure of distribution of gains in favour of the country include the transfer of monopoly power over the processing and distribution of tea for domestic consumption from Brooke Bond Leibig to Kenya Tea Packers, some Government equity participation in the holding subsidiary of Brooke Bond Leibig at the instigation of the Capital Issues Committee, the gradual phasing out of management contracts between KTDA and companies affiliated to transnational corporations, the opening of a tea auction in Mombasa, and the significant shift in the structure of tea production from estates to smallholdings.

222. Depedning on the form into which bulk tea is further processed - tea packet, tea bag, instant tea - and the type of consumer market, value added by forward linkage, the spread between producer price and retail price varies from more than 50 per cent to slightly more than 90 per cent. Although the final consumer market for tea in developed free enterprise economies is noted for an oligopolistic competitive structure, Kenya enjoys some advantages for movement in the direction of forward linkage. The favourable conditions include economies of scale deriving from Kenya's status as a major world exporter, the country's international reputation for the quality of its black tea, minimal tariff barrier to manufactured tea in most importing countries of developed market economies, access to preferential markets of the EEC under the Lome Convention, acquired managerial and technical capability by KTDA, and KETEPA as a nucleus marketing organization for expansion to export markets. But Kenya stands a better chance against the competitive power of the oligopoly of transnational corporations by teaming up with other major tea exporting countries in a multinational joint venture for the international marketing of manufactured tea.

223. To sum up, developing countries exporting primary tropical food commodities in general, and those singled out for special attention here in particular, fit squarely into that familiar pattern in the international division of labour, between developing countries of the periphery and developed market economies of the metropolis, whereby the former are permanently consigned to the unenviable role of supplying primary commodities, while the latter - through the arms of dominant transnational corporations with common features of oligopolistic competitive power - reign supreme over the more lucrative spheres of manufacturing and marketing activities. The international division of economic gains between the two contending parties, skewed in favour of value added by manufacturing and marketing, is a mere reflection of the international division of labour on which it is predicated. During the second half of this century, there has been a general pattern of redistribution of gains in favour of countries exporting primary commodities, by virtue of their increasing direct involvement in production and export activities, but this measure

of success is not something to cheer about, against a background of world trade in which the relative share accruing to primary tropical food commodities in the aggregate value of international trade has been on the decline. In a sense, the controversy over the structure of distribution of financial gains between transnational corporations and developing countries hosting them is analogous to bargaining over a shrinking pie. In the final analysis, the question of equity in the structure of distribution of gains between transnational corporations and host developing countries centers around existing economic arrangements in which countries exporting primary commodities are effectively left out of the action downstream manufacturing and marketing activities.

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Table 1.2: Estimated Shares of Transnational Corporations and Other Traders in Banana Imports in selected countries, 1970-72

	Total imports in 1970-72	Transnational Corporations				Other importers	Total
		United Brands	Standard Fruit	Del Monte	Sub-Total		
	(thousand tons)		(per cent)				
Canada	205	55	30	5	100	-	100
United States	1 300	36	42	12	90	10	100
Switzerland	63	81	6	2	89	11	100
Denmark	35	47	17	13	3	17	100
Sweden	75	57	16	6	79	21	100
Belgium	84	47	25	6	78	22	100
Italy	300	45	31	2	78	22	100
Norway	30	54	17	3	74	26	100
Netherlands	100	41	21	10	72	28	100
Germany, Fed. Rep.	606	42	18	10	70	30	100
Poland	2	70	-	-	70	30	100
Japan	965	13	13	17	47	53	100
United Kingdom	322	46	-	-	46	54	100
France	484	14	-	-	14	86	100
German Democratic Republic	40	-	-	-	-	100	100
New Zealand	26	-	-	-	-	100	100
Total	5 234	33	25	10	68	32	100

Source: "The Marketing and Distribution System for Bananas" p 14.

Table 1.1 Distribution of world production and export of bananas by principal developing countries and regions, 1974-76

Region/Country	Percent of world production volume (1975)	Percent of world Export volume (1974-75)	Percent of export in total production (1975)	Percentage contribution to total domestic exports (1974-75)
Latin America	52.00		26.00	
Brazil	20.00	3.00	1.00	0.30
Colombia	3.00	4.50	35.00	2.30
Costa Rica	3.00	15.40	59.00	25.60
Ecuador	4.00	16.00	60.00	12.40
Guadeloupe	0.50	3.70	65.00	37.70
Guatemala	2.00	2.40	46.00	2.50
Honduras	2.00	9.20	62.00	23.10
Jamaica	0+	1.00	48.00	2.00
Martinique	0.50	5.50	93.00	44.10
Panama	3.00	7.20	57.00	33.60
Africa/Middle East	11.00		7.00	
Angola	1.00	1.20	21.00	0.00
Burundi	0.00	-	-	-
Ivory Coast	0.50	1.90	60.00	1.10
Madagascar	1.00	0+	1.00	-
Somalia	0+	1.30	92.00	13.40
Cameroon	0+	0.20	7.00	0.60
Tanzania	2.00	0	0	-
Asia/Pacific	34.00		8.00	
China	1.00	2.50	30.00	0.30
India	5.00		0+	
Malaysia	1.00		-	
Papua New Guinea	3.00		-	
Philippines	4.00	8.20	50.00	2.60
Totals for:				
Selected countries	70.00	90.20	25.00	
Developing countries	90.00	93.00	9.00	
Developed countries	2.00	7.00	48.00	
World	100.00	100.00	19	

Source: "Transnational Corporations in Food and Beverages Processing" p. 54.

Table 1.3: Structure of Value Added in the Formation of Banana Prices, 1971

	Proportion of retail unit value a/	Retail Unit value b/		Total Retail value c/
	(Per cent)	($/Ton)	($/box) c/	($ million)
1. Reported production cost before harvesting	10.3	36	.62	220
2. Harvesting and transport to packing plant	1.1	3	.05	19
3. Producer gross margin	0.2	1	.02	6
1-3 Estimated gross return to growers at packing plant	11.6	39	.69	245
4. Packing	7.3	26	.43	155
5. Transport to port	1.1	4	.07	23
6. Loading and stevedoring	1.5	5	.09	32
7. Export tax	0.6	2	.05	13
8. Other charges	1.7	6	.11	36
9. Exporters' gross margin and overhead d/	1.7	6	.11	36
1-9 f.o.b. price	25.6	93	1.55	550
10. Freight and insurance	11.5	39	.69	245
1-10 c.i.f. price	37.5	132	2.23	795
11. Unloading and handling at port of discharge	4.6	16	.29	163
12. Import duties	6.9	23	.42	146
13. Importers' gross margin of commission e/	-0.1	-0.3	-.01	-2
1-13. f.o.b. selling price	49.1	161.7	2.92	1 041
14. Ripeners' gross margin g/	19.3	62	1.12	401
1-14 Ripeners' selling price	68.1	223.7	4.05	1442
15. Retail gross margin h/	31.9	104	1.89	672
1-15 Retail price	100.0	327.7	5.94	2114

Source: "The Marketing and Distribution System for Bananas, p. 16.

Table 1.3 (cont'd.)

a / Based on costs and margins in selected producing and consuming countries shown in Tables 12 and 14 of FAO document, CCP.

b / Based on an average f.o.b. price of $85 per metric ton, as derived from official export returns.

c / Taking 55.1 boxes = 1 metric ton.

d / Assuming that the percentage distribution of cost elements based on selected trade flows applies to total world exports.

e / Includes, in many cases, income taxes and overheads paid by the exporters.

f / Importers' gross margin or commission is the difference between f.o.b. cost and f.o.b. selling price and, in certain countries, is the commission fee paid to the importer who accepts fruit on consignment.

g / Ripeners' gross margin includes ripening costs, international distribution overheads, advertising and taxes (where applicable), and profit.

h / Retail gross margin covers retailing costs, including taxes and promotion expenses.

Table 1.4: Structure of value added in the formation of banana price, 1971

11.5	Gross returns to growers	PRODUCING COUNTRIES	11.5 %
26.1	Others		
11.5	Freight and Insurance		
19.0	Ripeners' gross margin	FOREIGN ENTERPRISES	88.5%
31.9	Retail gross margin		

Source: 'The Marketing and Distribution System for Bananas, p. 17.

Table 1.5: Distribution of Area under Banana Cultivation by principal growers in Cameroon a/

Grower	Area	
	Hectares	Per Cent
CBO b/	1,700	42.50
CDC b/	800	20.00
SPNP	650	16.20
MASSIF	300	7.50
PHP	250	6.20
Cam-Boubou-Pallier	150	3.70
Tiani	70	1.70
Banana Company	50	1.20
Essom Njaleiu	40	1.00
Total	4,010	100.00

Source: "The Banana Industry in Cameroon", p. 21.

a/ Inclusive of land cultivated by the Agricultural Research Institute for experimental purposes.

b/ Government owned.

Table 1.6 : Estimates of Banana Exports by the Cameroon Organization, 1935 - 1981

Year	Exports (in metric tons)
1935	26,000
1947	19,000
1957	85,000
1965	62,800
1966	50,500
1967	33,300
1968	29,000
1969	40,249
1970	47,111
1971	50,911
1972	-
1973	64,699
1974	73,471
1975	75,571
1976	80,622
1977	82,561
1978	90,762
1979	70,296
1980	63,923
1981	85,260

Source: "The Banana Industry in Cameroon" pp. 14 - 15.

Table 1.7 : Estimates of Banana Exports by the Cameroon Development Corporation 1957 - 80

Year	Volume of exports (metric tons)	Value of exports (Millions of CFA francs)
1957	162,000	1,370
1958	156,000	1,173
1959	124,000	934
1960	121,000	-
1961	137,000	821
1962	132,000	842
1963	119,000	829
1964	115,000	979
1965	105,000	1,102
1966	66,000	749
1967	47,000	550
1968	38,000	-
1969	40,000	-
1970	49,000	1,638
1971	50,000	1,768
1972	62,000	2,250
1973	64,000	2,405
1974	75,000	3,167
1975	74,000	4,363
1976	75,000	4,480
1977	85,000	5,530
1978	83,000	5,350
1979	71,000	5,079
1980	65,000	5,019

Source: "The Banana Industry in Cameroon", p. 16.

Table 2.1. Distribution of world production and export of coffee by principal developing countries and regions, 1974-76

Country/Region	Per cent of world production volume (1975)	Per cent of world export value (1974-76)	Per cent of export to domestic production (1975)	Percentage contribution in domestic exports (1974-76)
Latin America	85.5	58.2	71.3	7.5
Bolivia	0.4	0.2	31.2	1.7
Brazil	25.3	23.1	61.6	44.5
Colombia	12.1	13.4	90.4	49.1
Costa Rica	1.0	2.3	95.1	25.2
Dominican Republic	1.4	1.1	51.5	8.3
Ecuador	1.7	2.0	84.7	10.9
El Salvador	3.7	4.4	85.4	43.4
Guatemala	2.8	3.2	105.0	27.3
Haiti	0.9	0.6	46.2	34.4
Honduras	1.1	1.2	90.1	21.3
Mexico	5.1	4.3	62.7	7.4
Nicaragua	1.1	1.3	91.6	16.6
Peru	1.3	1.1	71.2	4.4
Venezuela	1.5	0.5	28.0	0.3
Africa/Middle East	36.8	28.7	68.3	1.3
Angola	1.5	1.9	239.7	17.5
Burundi	0.4	0.6	152.9	93.8
Central African Rep.	0.2	0.3	100.5	89.0
Ethiopia	4.2	1.8	32.4	37.7
Ivory Coast	6.1	15.6	94.4	27.5
Kenya	1.5	2.5	103.0	26.4
Madagascar	2.0	1.6	71.4	32.0
Rwanda	0.4	0.7	116.7	69.6
Uganda	4.8	4.4	80.6	77.7
United Rep. of Cameroon	1.8	6.5	117.5	26.8
United Rep. of Tanzania	1.2	1.6	103.8	22.6
Zaire	1.9	1.6	71.1	9.4

...../

Table 2.1 (cont'd.)

Country/Region	Per cent of world production volume (1975)	Per cent of world export value (1974-76)	Per cent of export domestic production (1975)	Percentage contribution to domestic exports (1974-76)
Asia/Pacific	8.5	6.3	65.7	3.8
India	2.1	1.7	64.5	2.0
Indonesia	3.6	2.6	80.0	1.9
Papua New Guinea	0.9	0.8	94.2	9.1
Philippines	1.4	-	3.2	-
Selected Countries	27.0	32.8	77.3	7.1
Developing Countries	99.8	94.9	76.8	2.9
Developed Countries	0.2	5.1	-	0.1
World Total	100.0	100.0	79.9	1.2

Source: "Transnational Corporations in Food and Beverage Processing", p. 81.

Table 2.2. World Coffee Production, 1974-82

Coffee season	Total production	Producer Consumption	Exportable production
1974-75	74,770	17,129	57,641
1975-76	56,426	17,039	39,387
1976-77	68,880	17,449	51,431
1977-78	74,200	17,369	56,831
1978-79	80,920	17,697	63,223
1979-80	76,210	18,931	57,279
1980-81	96,255	18,881	77,374
1981-82	84,160	19,176	64,982

Source: "Activities of Transnational Corporations in the Coffee Industry in Burundi", p.8.

Table 2.3. Basic data on coffee growing in some producing countries, 1980

Country	Type of coffee	Harvest period Month 1 to 12	Harvested area in 1980 (1000 ha)	Mean yield in in 1980 (Kg/ha)	Total Production (1000 MT)
America					
Brazil	Arabica	4 to 9	2 215	482	1 [illegible]
Colombia	Arabic	All year	1 [illegible]	636	7[illegible]
Mexico	Arabic	11 to 2	356	524	[illegible]
Africa					
Ivory Coast	Robusta	11 to 4	1 [illegible]	246	2[illegible]
Angola	Robusta	5 to 9	200	200	4[illegible]
Uganda	Robusta	All year	1[illegible]	686	
Ethiopia	Arabica	10 to 12	707	273	1[illegible]
Zaire	Rob. + Arab.	All year	236	38	[illegible]
Burundi	Arabica	4 to 9	35	606	2[illegible]
Asia					
Indonesia	Robusta	5 to 12	410	586	2[illegible]
India	Arab. + Rob.	10 to 3	2[illegible]	700	15[illegible]

Source: "Activities of Transnational Corporations in the Coffee Industry in Burundi", p. 5.

Table 2.4: Actual and projected world coffee production

	Actual production		Projected 1985 production	
	1972-1976	Mean 1977	Basic hypothesis	Additional hypothesis
World	4 381	4 686	5 640	6 350
Developing countries	4 380	3 080	5 640	6 35
Latin America	2 731	2 [illegible]	3 870	4 14
Africa	1 27[illegible]	1 28[illegible]	1 42[illegible]	1 58[illegible]
Near East	6	6	10	10
Far East	322	350	48[illegible]	540
ECF Asian Countries	11	9	[illegible]	20
Miscellaneous	32	36	[illegible]	60
Developed Countries	1	[illegible]	[illegible]	[illegible]

Source: "Activities of Transnational Corporations in the Coffee Industry in Burundi", p. 10.

Table 2.5: Trends of green coffee production in Burundi 1967 - 80

Season	Volume (in Tons)	Variation from one season to the next (in %)	Five-year moving average (in tons)
1967-68	18,611	-	-
1968-69	16,535	-11.2	-
1969-70	14,554	-12.[illegible]	19,375
1970-71	22,118	51.[illegible]	19,533
1971-72	25,051	13.2	20,504
1972-73	19,403	-22.6	23,221
1973-74	21,395	10.3	22,183
1974-75	28,146	31.5	21,45[illegible]
1975-76	18,924	-39.[illegible]	20,904
1976-77	21,428	26.6	21,289
1977-78	17,030	-20.[illegible]	21,20[illegible]
1978-79	22,921	34.6	-
1979-80	27,728	21.[illegible]	-

Source: "Activities of Transnational Corporations in the Coffee Industry in Burundi", p. 14.

Table 2.6: Distribution of arabica parchment delivered to processing plants in Burundi by major firms, 1976/77-1979/80

Corporation	1976/1977		1977/1978		1978/1979		1979/80	
	in T	in %	in T	in %	in T	in %	in T	in%
I. Local Corporations								
Centrelac	2,688	9.8	-	-	-	-	-	-
Comptoir Import-Export	1,951	7.1	3,537	17.7	-	-	-	-
Sideba	1,24[illegible]	[illegible]	99[illegible]	5.[illegible]	3,057	11.[illegible]	-	-
Sitraco	-	-	3,516	17.6	-	-	-	-
Sonaco	2,711	9.9	2,709	13.5	5,105	18.[illegible]	-	-
Sonicaf	2,[illegible]4	[illegible]	2,[illegible]	[illegible]	4,[illegible]	17.[illegible]	-	-
Sonimport	6,42[illegible]	23.4	3,[illegible]	[illegible]	-	-	-	-
OCIBU	-	-	-	-	11,51[illegible]	[illegible].6	38,[illegible]	100.
Fecebu	-	-	-	-	3,[illegible]4	11.[illegible]	-	-
Subtotal	17,[illegible]26	60.8	18,[illegible]60	[illegible].5	27,[illegible]93	[illegible].[illegible]	38,[illegible]	100.
II. Foreign Corporations								
Burundi Export	5,[illegible]2[illegible]	[illegible].[illegible]	-	-	-	-	-	-
Israel D s H	2,[illegible]3[illegible]	[illegible].[illegible]	3,[illegible]4	[illegible].[illegible]	-	-	-	-
Prostan	1,[illegible]9[illegible]	5.[illegible]	1,502	[illegible].[illegible]	-	-	-	-
Subtotal	10,210	37.2	3,[illegible]	18.5	-	-	-	-
III. Total	27,[illegible]	[illegible].[illegible]	19,963	[illegible].[illegible]	27,693	[illegible].[illegible]	38,[illegible]	100.0

Source: "Activities of Transnational Corporations in coffee industry in Burundi". p. 22.

Table 2.7: Trends of producer and selling prices of coffee in Burundi, 1973-[illegible]

Season	Producer price		Mean selling price
	Burundi Fr./Kg	Index 1977/78 = 100	in cts/lb
1973/74	39.[illegible]	33.9	50.[illegible] a/
1974/75	45.00	[illegible].[illegible]	51.71 a/
1975/76	39.00	[illegible].[illegible]	48.67
1976/77	65.00	[illegible].[illegible]	116.69
1977/78	113.00	100.0	226.37
1978/79	113.00	100.0	128.00
1979/80	116.00	103.5	154.69
1980/81	118.00	[illegible].[illegible]	-

Source: "Activities of Transnational Corporations in coffee industry in Burundi". p. 33.

a/ Arabica only.

Table 4.1 Distribution of coffee revenue among major groups in Burundi, 1975/76-[illegible]

	1975/1976		1976/1977		1977/1978		1978/1979		1979/1980		1980/1981	
	Thousands	%	Thousands	%	Thousands	%	Thousands	%	Thousands	%	Thousands	%
1. Price of green coffee	52.8	53	89.3	38	154.4	31.7	161.7	60.9	156.4	49.6	154.3	46.9
2. State of Burundi	23.9	24	104.8	46.2	249.1	50.7	66.8	21.1	111.77	35.1	51.1	15.4
3. Middleman group	23.5	23	37.1	15.8	36.3	7.6	38.9	18.1	52.3	16.4	69.3	21.7
4. Total export price f.o.b. Dar-es-Salaam	100.3	100	235.2	100	484.8	100	251.4	100	319.5	100	277.7	100
5. Producer price of parchment coffee (BurFR./kg)	39.6		65.8		112.6		112.8		116.6		111.5	

Source: "Activities of Transnational Corporations in Coffee Industry in Burundi", p. 54.

Table 2.9: Major Foreign Buyers of Burundi Coffee

United States	European Community	Others
1. Alf and Leone Israel, New York	1. Dunas N.V., Antwerp, Belgium	1. Volkart Brothers, Inc., Winterthur, Switzerland
2. Sacks International, Inc., New York	2. Africafes, Brussels, Belgium	2. Andre & Cie., Lausanne, Switzerland
3. Socomex, New York	3. De Lamar, Le Havre, France	
4. I. Aron & Co., Inc., New York	4. George Paras, Marseille, France	
5. Acli Coffee Company New York	5. Ic Israel, London, G.B.	
	6. Socomex, London, G.B.	
	7. D. Rothfos, Hamburg, GFR	
	8. Multitrade B.V. Noarden, Netherlands	

Source: "Activities of Transnational Corporations in the Coffee Industry in Burundi" p. 50.

Table 2.10: Foreign companies with direct and indirect involvement in the coffee Coffee Industry of Burundi

Name	Date created	Registered capital	State share in %	Other stockholders
1. BANCOBU	1964	150,000,000	[illegible]	SFCM, SOCOBU, UNSS, BRUXELLES-Lambert, Banque Nationale de Paris, Bank of America, Dresdner Bank, Private individuals
2. BCB	1960	150,000,000	3.3	SOCOBU, Societe generale de Banque Belgolaise, Private individuals
3. BBA	1967	36,000,000	-	Bruxelles-Lambert, Private individuals
4. ABNOLAC	1967	120,000,000	10	COL, BRABER, INTERNELEX, Private individuals
5. BFB	1967	30,000,000	-	BNL, ECO, ABNOLAC, COL, Chamber of Commerce and Industry, Private individuals
6. SOBUMINES	1974	18,500,000	49	SFCM, RUZIZI, SFE, SOMUKI, SOMINES BELGES, Private individuals
7. SODAGRI	1976	20,000,000	-	B.M.
8. RUZIZIZ	-	38,000,000	-	S.M.

Source: "Activities of Transnational Corporations in the Coffee Industry in Burundi", p. 52.

Table 3.1 Distribution of world production and export of sugar by principal developing countries and regions, 1971-76

Region/Country	Per cent of world production volume (1975) a/	Per cent of world export value (1974-76)	Per cent of export in domestic production (1975)	Per cent of domestic export (1971-74)
Latin America	27.2	50.3	43.7	2.3
Argentina	1.5	1.7	1.2	0.3
Barbados	0.1	.3	72.1	31.9
Belize	0.1	.3	94.5	87.6
Bolivia	0.2	.2	27.3	6.0
Brazil	6.3	9.9	27.3	17.1
Chile	0.2	.1	20.	0.2
Colombia	1.3	.7	10.8	4.
Costa Rica	0.2	.7	33.1	6.
Cuba	6.0	33.	80.	55.
Dominican Republic	1.3	4.1	76.8	69.6
Ecuador	0.3	0.2	13.7	1.
El Salvador	0.3	.5	29.2	2.
Guatemala	0.1	.3	23.3	15.
Guadeloupe	0.5	.9	46.1	13.
Guyana	0.3	1.4	92.0	44.
Haiti	0.1	-	21.4	4.7
Honduras	0.1	-	9.2	1.4
Jamaica	0.9	1.7	70.2	13.5
Martinique	-	-	27.5	1.2
Mexico	43.5	1.1	57.3	2.4
Nicaragua	0.2	.3	62.7	2.3
Panama	0.1	.3	59.9	14.3
Paraguay	0.1	-	26.1	3.3
Peru	1.1	1.9	41.6	12.7
Trinidad & Tobago	0.4	0.2	46.2	0.9
Uruguay	0.1	-	-	-
Venezuela	.5	-	-	-

...../

Table 3.1 (cont'd.)

Region/Country	Per cent of world production volume (1975) a/	Per cent of world export value (1974-76)	Per cent of export in domestic production (1975)	Per cent of domestic export (1974-76)
Africa/Middle East	5.6	5.9	21.9	0.4
Egypt	0.6	0.3	7.5	1.0
Iran	0.8	-	1.9	-
Kenya	0.2	-	0.3	-
Madagascar	0.1	0.1	33.7	4.8
Mauritius	0.5	2.6	100.0	91.7
Morocco	0.2	-	-	-
Mozambique	0.2	0.3	22.5	14.3
Reunion	0.2	0.6	59.5	95.8
Rhodesia	0.2	0.4	44.1	7.0
Swaziland	0.2	0.7	75.7	49.4
Tanzania	0.1	-	15.3	1.3
Asia/Pacific	22.5	15.5	15.2	2.7
Bangladesh	0.5	-	-	-
Fiji	0.2	0.9	91.8	58.1
India	11.7	0.4	10.2	0.3
Indonesia	1.3	b/	b/	b/
Pakistan	1.9	b/	b/	b/
Philippines	2.6	6.3	39.4	23.0
Thailand	1.4	3.9	83.4	14.6
Selected Countries	52.7	66.8	30.5	9.8
Developing countries	55.3	71.7	29.9	3.6
Developed Market Economies	26.1	22.5	2.1	3.5
World Total		94.2	23.1	1.9

Source: "Transnational Corporations in Food and Beverage Processing", pp. 60-61

a/ Sugar production refers to centrifugal and non-centrifugal sugar. Exports refers to raw equivalent (SITC 061-061.2).

b/ Less than 0.05.

Table 3.2: Quota allocation under the International Sugar Agreement in effect for 1982

Member	Basic Export Tonnage	Quota in Effect	Member	Basic Export Tonnage	Quota in Effect
Argentina	737,000	626,450	Trinidad & Tobago	70,000	70,000
Australia	3,329,263	2,829,874	India	857,550	700,000
Austria	133,235	113,250	Malawi	119,924	101,935
Bolivia	134,670	114,470	Mauritius	185,773	157,907
Brazil	3,291,870	2,798,095	Mexico	70,000	70,000
Colombia	357,689	304,036	Mozambique	92,804	78,951
Costa Rica	101,570	86,335	Nicaragua	125,347	106,545
Cuba	2,027,169	2,403,094	Panama	192,670	163,770
Dominican Republic	1,150,670	984,870	Peru	108,900	92,565
Ecuador	92,697	78,794	Philippines	1,894,134	1,610,014
El Salvador	140,274	119,233	South Africa	1,033,035	878,080
Fiji	343-793	292,224	Swaziland	253,073	215,702
Guatemala	271,809	231,038	Thailand	1,382,952	1,175,509
Guyana	147,624	125,480	Zimbabwe	287,562	244,428
Jamaica	98,557				
			Total	19,440,498	16,772,728

Source: "Marketing and Processing of Sugar: Areas for International Co-operation", p. 28.

Table 3.3: Quota allocation under the sugar protocol of the Lome Convention and exports of sugar to EEC, 1975 and 1979

Countries	Initial Allocation	Exports to EEC	
		1975	1979
Barbados	49,300	52,910	50,[illegible]
Congo	10,000	0	[illegible]
Fiji	163,000	180,194	196,[illegible]
Guyana	157,700	150,970	159,[illegible]
Jamaica	118,300	131,560	86,[illegible]
Kenya	5,000	11,047	11,[illegible]
Madagascar	10,000	21,679	11,[illegible]
Malawi	29,000	16,3[illegible]	33,[illegible]
Mauritius	487,200	417,967	499,[illegible]
Swaziland	116,400	146,045	130,[illegible]
Trinidad and Tobago	69,000	74,[illegible]	71,[illegible]
Uganda	5,000	0	[illegible]
United Republic of Tanzania	10,000	14,[illegible]	11,[illegible]
Total ACP States	1,230,500	1,217,[illegible]	1,[illegible]
Other beneficiaries			
Belize	35,[illegible]	39,15[illegible]	43,[illegible]
St. Kitts-Nevis) Aguila)	14,[illegible]	16,9[illegible]	15,[illegible]
Suriname a/	4,[illegible]	[illegible]	[illegible]
India	25,[illegible]	38,076	27,[illegible]
Total	1,313,700	1,311,790	1,336,[illegible]

Source: "Activities of Transnational Corporations in coffee Industry in Burundi" p.9.

a/ Exports from Suriname in 1979 totalled less than 3,000 tons. The amount which went to EEC is not reported separately.

Table 3.4 Zimbabwe's sugar production and exports 1964/65 - 91/92

Year	Sugar Sales through marketing authority ($'000)	Raw Sugar			Exports			Total exports as % of sales through marketing authority a/ (%)	Sugar export as % of all exports by value (%)
		tonnes	$'000	$/tonnes	tonnes	$'000	$/tonnes		
1964-65	12,007	97726	7360	75.31	-	-	-	61.3	
1965-66	13,079								
1966-67	12,799								
1967-68	9,554								
1968-69	11,734								
1969-70	13,518								
1970-71	14,219								
1971-72	17,905								
1972-73	24,485								
1973-74	25,277								
1974-75	20,312								
1975-76	26,274								
1976-77	30,214								
1977-78	25,005								
1978-79	28,264	104466	7360	70.45	21435	3620	111.33	34.5	3
1979-80	33,466	203358	15002	77.72	41592	4760	114.49	61.7	3
1980-81	74,613	128969	40992	315.35	35814	6300	177.75	61.0	6
1981-82	81,421	142493	45999	322.18	29524	8893	301.21	64.4	7

Source: "Transnational Corporations in the Sugar Industry in Zimbabwe" p. 6.

a/ These payments to sugar producers due to nature of selling operations may lag up to six months after completion of production.

Table 3.3: Sugar production of Triangle Estates, 1937 - 80

YEAR	Area Under Cane (ha.)	Cane Produced (Tonn.)	Sugar Produced (Tonn)	Total Sugar Produced in Zimbabwe	% by Triangle	Domestic Sugar Consumption Tonnes	% of Total
1937	first cane produced - 10 ton of sugar manufactured						
1954-55	482	15571	1456	1456	100	-	100 1/
1960-61	3084	173391	19445	28145	69	-	100 1/
1963-64 1/	10125	780250	85711	124935	68	-	36 1/
1969-70	12022	771253	89260	195582	45	73223	37
1970-71	12513	937776	111588	237499	47	79583	34
1971-72	12513	943001	119523	232568	51	88723	38
1972-73	12604	988374	123523	241760	51	97732	40
1973-74	12636	1025397	137816	251168	55	104690	42
1974-75	12188	1138863	143510	279938	51	113021	40
1975-76	12244	1305971	155938	292575	53	116554	40
1976-77	12272	1318977	169884	284365	60	117048	41
1977-78	12340	1230406	160143	301392	53	111675	37
1978-79	9263	1040686	144632	309491	47	108562	35
1979-80	11301	921075	1195513	249206	40	120000(est.)	48

Source: Except otherwise noted 1/, Triangle: The Land, the People, the story, (Triangle Estates, 1981).

Note: 1/ Estimated by Sugar Marketing (Pvt.), Marketing Sugar in the Modern Way, 1965.

Table 3.6: Partial list of holdings in Zimbabwe - by Anglo-American Corporation

Company	Holding shares	% of Shares	Sector of Economy
African Distillers Ltd.	Security Nominees RAL Nominees	1.9 2.3	Dominates wine, sprit manufacturing
Border Forests Ltd.	Security Nominees New Rhodesia Investments Trust Nominees (of RAL)	43.2 2.8 0.6	Owns 11 391 ha. of forests, gum plantations two saw mills
Cairns Fildings Ltd.	Sagit Investments (RAL) RAL Nominees	5.8 1.8	Holding & investment Co. 39.7% of Amalgamated Motor Corp. & Food Cos.
Clan Holding Ltd.	RAL Nominees	5.7	Investment & holding
David Whitehead & Sons	RAL Nominees Security Nominees	2.6 0.9	Larger cotton & synthetic fibre spinner in Zimbabwe, 3 factories
Edgar Stores, Ltd.	RAL Nominees Security Nominees	2.3 1.1	Manufactures, wholesales, retail clothing nation-wide
Everglo Holdings	RAL Nominees Security Nominees	2.3 1.5	N/A
Freeholds Corp.	RAL Nominees	7.2	N/A
Gullivers Conso-lidated Ltd.	RAL Nominees	6.4	One of largest civil engineering cos. in n country
Heinrich Brewaries Ltd.	RAL Nominees	1.9	Brewary
Hippo Valley	Security Nominees RAL Nominees	39.3 2.5	Owns sugar & Citrus estates in lowveld, dry ice & liquid gas plant, distillery, cattle rearing, Mkwasine Estate (S.Triangle)
Johnson & Fletcher Ltd.	Security Nominees	5.9	A leading supplier of building materials
Merlin Ltd.	Security Nominees	0.6	
Morewear Industrial Hldgs. Ltd.	Security Nominees	0.9	Design, manufacture, mining machinery

Table 3.6 (Cont'd)

Company	Holding Shares	% of Shares	Sector of Economy
Murray & Roberts	RAL Nominees	1.5	Building construction division plastic tubing from irrigation division
National Foods Hldgs. Ltd.	Security Nominees RAL Nominees	48.8% 0.6	Millers, manufacturers of food for humans and animals consumption
Neon Fluorescent Ltd.	RAL Nominees	14.9	N/A
Plate Glass Industries Ltd.	RAL Nominees	0.5	N/A
Preminer Portland Cement Co. Ltd.	Security Nominees RAL Nominees	16.2 8.7	Owns 50% of United Portland Cement, 100% of Premier Stone Crushers (Pvt.)Ltd.
Radar Metals Industries Ltd.	Security Nominees	3.0	Manufacturers metal mats, door frames, windows in 2 factories, wholesaler
Rho-abexicom Investments Ltd.	RAL Nominees Security Nominees	3.3 1.1	Industrial holding Co building materials, refrigeration, wire, foundry, ceramics
Rhodesian Acceptance Ltd. (RAL)	Security Nominees	56.0	Holding Co. Owns RAL Merchant Bank, Sapit Group, 3% of a computer Company
Rhodesian Banking Corp. Ltd. (now Zimbabwe)	RAL Nominees	1.2	One of 4 commercial banks, (since independence, Govt. bought 62% of shares).
Rhodesian Brick & Pottery Co.	RAL Nominees	14.8	Largest brickmaker, 2 factories
Rhodesian Cables Ltd.	RAL Nominees	4.0	Manufacturers of Copper, aluminium cables
Rhodesian Cement Ltd.	RAL Nominees	4.3	50% of United Portland Cement, shares in other building materials companies

Table 3.6 (Cont'd)

Company	Holding Shares	% of Shares	Sector of Economy
Rhodesian Printing & Publishing	RAL Nominees Security Nominees	1.9 2.7	
Rhodesian Pulp and Paper Ltd.	RAL Nominees	0.9	Publishers Zimbabwe Newspapers (Govt. trust bought S.A. shares after independence)
Rhodesia Sugar	RAL Nominees	6.8	Owns nation's sugar refineries, sales network
Rhodesia Holdings Ltd.	RAL Nominees	2.0	Owns 2 companies, for retreading tyres & manufacturers auto parts, retails
Rothmans of Pall Mall	RAL Nominees Security Nominees	3.8 0.9	Manufacturers cigarettes, Pipe tobacco
Salisbury Portland Cement Co. Ltd.	Security Nominee	1.1	Owners cement factory, sells wholesale, retail
T.A. Holdings Ltd.	RAL Nominees	3.9	Began in Tobacco, now conglomerate
Springmaster Corp. Ltd.	RAL Nominees	1.3	Furniture
Divide Chrome Mines Ltd	RAL Nominees	0.9	Chrome mines
	RAL Nominees	1.1	Empress nickel, copper mines
Falcon Mines Ltd.	RAL Nominees	5.7	Owns 2 mines, 5000 acres & 2 farms
M.T.D. (Managing) Ltd.	RAL Nominees	3.7	Largest copper mine
Rhodesia Nickel Mine	Security Nominees	86.3	Holding Co. nickel mines & smelting of refining Co.

Table 3.6 (Cont'd)

Company	Holding Shares	% of Shares	Sector of Economy
Rio Tinto Zinc	RAL Nominees	1.6	Mining & industrial finance, holds 49% of Empress Nickel & other mines
Rio Trust Ltd.	Sagit Nominees RAL Nominees	13.6 2.4	Investment Holding Co. Shares in Tirto Industries, Empress Nickel, others
Shangani Mining Corp. Ltd.	Security Nominees	29.1	Shangani Nickel Mines
Wenkie Colliery Co.	RAL Nominees Security Nominees	22.1 12.0	Owns one of largest coal mines in Africa

1/ R. Landers, an Anglo-American Group official, explained in an interview (Makgetla, 1981), that the group requires a small share, perhaps puts a director on the board helps to obtain funds elsewhere (through pension funds, insurance comps. banks with which it has contacts, see Chart 3), and provides technical assistance to firms in which it has holdings.

Source: D.G. Clarke, Foreign Companies and International Investment in Zimbabwe, (Gwelo: Manbo Press 1980) Appendix C.

Table 4.1: Distribution of world production and export of tea by principal developing countries and regions, 1974-76

Region/Country	Percent of world production volume (1975)	Percent of world Export Value (1974-76)	Percent of Export in total production (1975)	Percentage contribution to domestic exports (1974-76)
Latin America	3.10	2.10	46.90	0.00
Argentina	2.40	1.60	43.60	0.40
Africa/Middle East	14.30	14.70	58.50	8.10
Kenya	3.60	5.70	96.90	12.30
Malawi	1.60	2.50	95.20	17.70
Mozambique	1.10	0.90	61.10	3.70
Rwanda	0.20	0.40	100.00	5.60
Uganda	1.10	1.40	94.40	4.50
Tanzania	0.90	1.30	71.40	3.10
Asia/Pacific	70.00	69.30	52.00	1.50
Bangladesh	1.80	1.70	32.70	4.60
China	19.70	8.10	23.10	3.20
India	30.30	23.40	45.00	3.10
Indonesia	4.40	5.20	85.70	0.70
Papua New Guinea	0.30	0.50	80.00	0.80
Sri Lanka	13.30	24.70	99.50	44.10
Total for:				
Selected countries	80.80	83.50	55.40	3.80
Developing countries	87.40	86.10	52.80	0.40
Developed countries	12.60	13.90	29.60	0.30
World	100.00	100.00	50.5	0.10

Source: «Transnational Corporations in Food and Beverages», p.54

Table 4.2: Distribution Trend of Tea Production Among Major Producing Countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
India	37.6	38.9	37.9	38.0	39.0	37.8	38.6	32.7	32.2	31.0	31.6	30.8
Bangladesh	2.8	1.1	2.0	2.2	2.6	2.2	2.5	2.2	2.2	2.0	2.2	2.3
Sri Lanka	19.1	19.5	17.7	17.0	16.3	16.6	14.8	12.3	11.3	11.6	10.5	11.5
Indonesia	4.0	4.3	4.1	4.4	4.1	4.4	4.6	3.8	4.2	4.1	4.4	4.7
China								14.1	15.3	15.5	16.7	16.7
Japan (mainly Green Tea)	8.2	8.3	7.9	8.1	7.6	8.2	7.5	6.0	6.0	5.5	5.6	5.6
Turkey	3.0	2.9	3.9	3.5	3.4	4.3	4.5	4.6	4.9	5.7	5.3	2.3
Other Asia	5.1	4.6	4.7	4.8	4.3	4.5	4.8	3.6	3.3	3.2	2.9	3.0
Asia	79.8	79.6	78.2	78.0	77.3	78.0	76.9	80.0	79.4	76.6	79.2	78.5
Kenya	3.7	3.2	4.4	4.6	4.3	4.4	4.7	5.1	5.3	5.6	4.9	5.0
Malawi	1.7	1.7	1.7	1.9	1.9	2.0	2.1	1.8	1.8	1.8	1.6	1.7
Mozambique	1.5	1.5	1.6	1.5	1.4	1.0	1.0	1.0	1.0	1.1	1.0	1.2
Tanzania	0.9	0.9	1.1	1.0	1.0	1.1	1.1	0.9	1.0	1.0	0.9	0.9
Uganda	1.6	1.6	1.9	1.8	1.7	1.4	1.2	0.9	0.6	0.1	0.1	0.1
Other Africa	1.7	2.0	1.9	1.8	2.0	2.0	2.2	1.8	1.9	2.1	2.0	2.1
Africa	11.0	10.9	12.6	12.6	12.3	11.9	12.3	11.5	11.6	11.7	10.5	11.0
U.S.S.R.	6.0	6.1	5.9	6.0	6.1	6.7	6.9	6.2	6.3	6.6	7.1	7.3
South America	3.1	3.3	3.0	3.1	3.6	3.1	3.6	2.0	2.3	2.6	2.7	2.4
Others	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.5	0.5	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Including China from 1977

Source: "Transnational Corporations in the Tea Industry of Kenya" p.27

Table 4.3 Distribution trend of tea exports among major producing countries

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
India	30.7	30.0	30.0	26.5	28.2	29.2	30.1	28.2	21.9	23.5	26.1	28.6
Bangladesh			1.9	2.9	2.9	3.2	3.9	3.2	3.8	3.7	3.6	3.4
Sri Lanka	32.0	29.5	27.1	28.9	25.3	28.3	25.3	22.8	24.0	22.0	21.5	21.4
Indonesia	5.7	5.9	5.5	5.0	6.9	6.1	6.0	6.3	7.0	7.1	7.9	8.3
China	6.3	7.8	6.9	7.1	8.7	8.2	7.8	10.0	10.8	12.6	12.6	10.7
Turkey	1.2	2.6	2.1	2.6	1.6	0.0	0.0	0.5	0.3	0.7	0.6	0.4
Other Asia	4.0	3.9	3.8	3.8	3.4	3.7	4.0	4.2	4.0	3.6	3.4	3.2
Asia	79.9	79.7	77.3	76.8	77.0	78.7	77.1	75.2	71.8	73.2	75.7	76.0
Kenya	5.5	5.0m,	6.8	7.3	6.8	7.0	7.5	8.6	10.6	11.6	8.7	8.8
Malawi	2.7	2.7	2.8	3.1	3.3	3.2	3.8	3.7	3.8	3.6	3.6	3.7
Mozambique	2.6	2.6	2.6	2.5	2.4	1.6	1.6	1.9	2.1	2.1	2.1	2.1
Tanzania	1.1	1.2	1.3	1.3	1.3	1.4	1.5	1.5	1.9	1.8	1.5	1.6
Uganda	2.3	2.2	3.0	2.7	2.3	2.3	1.5	1.8	1.1	0.2	0.1	0.1
Other Africa	2.0	2.1	2.3	2.2	2.1	2.1	2.1	2.3	2.6	2.6	2.3	2.4
Africa	16.2	15.8	18.8	19.1	18.2	17.6	18.0	19.8	22.3	21.4	18.3	18.7
South America	3.6	4.1	3.4	3.5	4.2	3.1	4.0	4.1	5.0	4.5	5.1	4.5
Others	0.3	0.4	0.5	0.6	0.6	0.7	0.8	0.8	0.9	0.9	0.9	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.1	99.9	99.9	100.0	100.0	100.0	100.0

Source: «Transnational Corporations in the Tea Industry of Kenya», p.27

Table 4.4. Value of tea exports from selected producing countries (US$ 1000)

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
India	195,702	208,565	212,500	189,801	233,047	291,729	304,858	619,769	442,929	445,287	545,628	506,767
Bangladesh			7,672	11,025	19,000	21,000	28,976	42,460	44,834	29,120		
Ceylon I Sri Lanka	187,543	190,321	187,900	194,549	203,526	272,965	247,384	381,616	409,102	368,413	371,877	
Indonesia	18,299	28,881	29,763	26,079	46,278	51,543	56,574	118,481	94,623	93,974	102,083	100,837
Japan	1,063	1,126	1,234	1,460	1,435	1,521	2,124	3,102	2,976	2,691	2,644	3,083
Turkey	1,710	3,873	3,805	3,647	4,794	140	247	7,435	3,321	8,083	7,733	7,161
Kenya	36,910	34,086	46,230	46,194	54,265	62,558	76,193	173,451	163,514	168,186	156,339	135,323
Malawi	13,099	1,447	15,148	16,379	20,470	24,467	29,136	46,115	34,485	37,446	36,727	
Mauritius	2,530	3,083	3,921	3,586	3,465	2,652	4,405	6,710	9,155	6,050	5,207	5,348
Mozambique	8,142	9,756	11,610	11,300								
Rwanda					2,375	3,607	4,987	9,018	11,066	10,294		
Tanzania	5,988	6,942	7,544	7,706	9,708	10,961	13,357	21,490	21,874	19,877	22,265	
Uganda	13,292	13,400	17,635	15,614	15,345	16,308	10,661	25,367	8,292	1,447	322	
Argentina	9,454	11,736	11,219	9,688	15,877	15,066	15,953	34,783	23,783	22,179		
Brazil	2,796	3,373	3,325	4,270	4,631	4,950	5,508	8,734	10,812			
Papua, New Guinea		1,713	2,406	3,836	5,293	5,016		12,346	11,058	11,217		

Source: «Transnational Corporations in the Tea Industry of Kenya», P.29.

Table 4.5: Trends of distribution of tea sales by different auction centres, 1965-1980

Country/Centre	1965		1970		1975		1980	
	tonnes	%	tonnes	%	tonnes	%	tonnes	%
India	209,962	36	241,311	43	286,533	44	306,670	44
Calcutta	152,960	37	162,406	29	172,114	26	132,308	19
Siliguri	-	-	-	-	-	-	16,748	2
Gauhati	-	-	2,757	...	30,835	5	62,564	9
Amritsar	NA	NA	476	...	628	...	556	...
Cochin	54,002	9	67,930	12	67,203	10	77,056	11
Coonoor	-	-	7,742	2	65,813	2	15,696	2
Coimbatore	-	-	-	-	-	-	1,742	...
Sri Lanka, Colombo	165,201	29	168,150	30	193,012	30	178,296	26
Indonesia, Jakarta	NA		NA		18,422	3	30,148	5
Bangladesh, Chittagong	25,929	5	29,255	5	26,404	4	37,523	5
Kenya, Mombassa	7,307	1	12,140	2	25,038	4	32,361	5
Malawi, Limbe	-		-		4,081	1	7,118	1
All producing countries	405,899	71	450,656	80	553,550	85	600,116	86
London	162,433	29	109,221	20	98,698	15	95,160	14
Antwerp	310	...	344	...	-		-	
Total	568,642	100	560,421	100	652,248		695,276	100
Auction sales as percent of world production		NA		50		44		39
World production	NA		1,112,530		1,484,638		1,776,280 a/	

Source: «Marketing and Processing of Tea: Areas for International Co-operation», p.5.

a/ 1979 figures.

Table 4.6

Disposal of Tea at Auctions by Major Producing Countries
(Tons)

		(1) Own Auctions	(2) London and European Auctions	(3) Production	(1) as % of (3)	(2) as % of (3)	Sales at all Auctions as % of Production
India	1970	241,311	32,609	418,517	57.7	7.8	65.5
	1975	288,593	40,806	487,137	58.8	8.4	67.2
	1980	306,670	29,598	577,026	53.1	5.1	58.2
Sri Lanka	1970	168,150	36,122	212,210	79.2	17.0	96.2
	1975	193,013	19,326	213,679	90.3	9.0	99.3
	1980	176,296	11,647	191,375	93.2	6.1	99.3
Kenya	1970	6,630	15,132	41,077	16.1	36.8	52.9
	1975	14,533	14,771	56,730	25.6	26.0	51.6
	1980	32,264	22,677	89,693	35.9	25.2	60.1
Indonesia	1970	-	3[illegible]	44,048	-	6.8	[illegible]
	1975	18,422	-	56,831	32.4	-	32.4
	1980	38,140	-	78,857	48.4	-	48.4
Bangladesh	1970	29,982	-	31,381	95.5	-	95.5
	1975	24,389	1,690	29,009	84.1	6.5	90.6
	1980	36,280	2,137	39,939	90.8	5.4	96.2
Argentina	1970	-	18	27,090	-	-	-
	1975	-	-	27,930	-	-	
	1980	-	-	37,000	-	-	-
Malawi	1970	N/A	6,979	18,731	N/A	37.3	37.3
	1975	4,081	7,069	26,256	15.5	26.9	42.4
	1980	6,953	11,231	29,915	23.4	37.5	60.9
Mozambique	1970	-	8,082	16,974	-	47.6	47.6
	1975	-	3,038	13,143	-	29.2	29.2
	1980	-	5,061	19,000	-	26.6	26.6
United Rep. of Tanzania	1970	1,255	4,845	8,492	14.8	57.1	71.9
	1975	1,410	4,110	13,733	10.3	29.9	40.2
	1980	-	6,714	17,087	-	39.3	39.3

Source: "Marketing and Processing of Tea: Areas for International Co-operation", p.6.

Table 4.7: Concentration ratios of tea sales by leading firms in selected countries

Country	Year	% of tea sales	No. of leading firms
Austria	1976	62	1
Australia	1981	84	4
Canada	1980	65	3
Denmark	1981	56	4
France	1972	80	3
Germany, Fed. Rep. of	1974	95	4
India[a/]	1979	95	2
Italy	1976	71-82	4
Ireland	1977	74.5	4
Japan	1979	87	4
Mexico	1981	72	4
Netherlands	1980	90	4
Nigeria[a/]	1979	95	1
Norway	1981	85	2
Pakistan[a/]	1979	95	2
Philippines	1974	35	1
Portugal	1981	80-83	4
Sweden	1981	75	4
United Kingdom	1979	77	4
United States	1973	74	3

Source: Trends of distribution of tea sales by different auction centres, 1965-1980. p. 23

a/ Packet tea only.

Table 4.8: Market shares of leading transnational corporations in tea sales of selected importing countries

Country	Market size a/ '000 kg (1980)	Company share % volume		Company
Australia	22,149	(1981)	46	Bushells (Brooke Bond)
			13	Lipton Overseas Ltd.
				Flower-Robin
Canada	20,323	(1980)	30	Brooke Bond Inc.
			20	Kellogg Salada Canada Inc.
			15	Tetley Tea Co. Inc.
Denmark	2,300	(1981)	20	Lipton
			15	FDB
			12	Fredsted
			7	Irma
France	8,847	(1972)	40	Lipton
			19	The Elephant Unilever
			14	Twinings
			11	Lyons
Ireland	14,149	(1977)	55	Lyons (Ireland) Ltd.
			8.5	Irish Tea Merchants
			6	Twinings of Ireland Ltd.
Italy	3,551	(1976)	35-40	Star
			16-18	ATI-Pilatti
			12-14	Lipton-Paolo Villani
			8-10	Lyons Perugina-Hornimans-Tetley-Sapori
			5-7	[illegible] C & C
Japan	14,329 (1979)	(1979)	29	Lipton
			25	Twining
			20	Nittoh Kocha
			13	Brooke Bond
Mexico	100	(1980)	36	McCormick
			18	La Carabela
			16	Laggs
			12	Lipton

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Table 4.8 (cont'd.)

Country	Market size a/ '000 Kg (1979)	Company share % volume		Company
Netherlands	5,300	(1980)	60	Douwe Egberts
			15	Van Nelle Koffie
			10	Albert Heyn
Norway	775	(1981)	47	Lipton
			38	Twining
Portugal	250	(1981)	52-55	Companie de Zambesia
			12	Lyons-Tetley
			10	Nomule Lda
				Lipton
Sweden	2,879	(1981)	25	Lipton AB
			25	Twining
			15	Kooperativa Forbundet
United Kingdom	186,721	(1979)	33	Brooke Bond
			19	Typhoo
			16	Lyons-Tetley
			12	Coop
United States	83,431	(1973)	44	Lipton
			20	Nestle
			5	Brooke-Bond
			5	Lyons-Tetley

Source: "Marketing and Processing of Tea: Areas for International Co-operation", p.5.

a/ Net imports.

Table 4.5 Transnational Corporations with involvement in tea production in selected exporting countries
(and volume of production in tons, where available)

	India	Kenya	Bangladesh	Indonesia	Malawi	United Rep. Tanzania	Papua New Guinea	Zimbabwe
Brooke Bond Liebig	x 17,[illegible] a/	x [illegible],433 d/		x	x	x		x
James Finlay	x [illegible],750 c/	x [illegible],[illegible] b/	x					
Inchcape	x [illegible],000 d/							
Williamson Tea Holdings Ltd.	x 17,[illegible] d/	x 2,120 d/				x 2,963 d/		
Eastern Produce Holdings Ltd.		x 6,702 b/			x			
Warren Plantation Holdings Ltd.	x 11,431 d/	x 709 d/					x 1,[illegible]45 d/	
McLeod Russel	x 19,380							x 2,724
Laurie Plantation Holdings	x 11,441 b/		x 7,700 d/		x 3,664 d/			

Source: "Marketing and Processing of Tea: Areas for International Co-operation", p. 22.
a/ 1977; b/ 1978, c/ 1979; d/ 1980.

Table 4.10: Trends in the Structure of Kenya Tea Industry in terms of area under tea cultivation and volume of production, 1963-80

Year	ESTATES						Small Holdings	
	Brooke Bond		Other Estates		All Estates			
	Planted Hectares	Production	Planted Hectares	Production	Planted Hectares	Production	Planted Hectares	Production
1963	17.28	33.81	66.28	64.46	83.56	98.27	16.44	1.74
1964	17.09	33.48	63.52	63.24	80.61	96.92	19.39	3.08
1965	16.79	29.24	61.28	66.74	78.07	95.98	21.93	4.02
1966	15.50	26.11	58.02	67.70	73.52	93.81	26.48	6.19
1967	14.60	23.29	54.58	66.36	69.18	90.15	30.82	9.85
1968	13.31	23.84	50.24	64.73	63.55	88.57	36.45	11.43
1969	12.34	21.92	47.45	62.20	59.79	84.12	40.21	15.88
1970	11.33	22.04	44.01	58.54	55.34	80.58	44.66	10.42
1971	10.52	21.50	42.14	56.57	52.66	77.77	47.34	22.23
1972	10.93	22.58	35.82	52.80	46.75	75.38	53.24	24.62
1973	9.96	22.83	33.17	50.53	43.13	73.36	56.87	26.64
1974	9.30	19.55	31.71	50.17	41.01	69.72	58.99	30.38
1975	8.88	20.2	30.66	48.29	39.54	68.41	60.46	31.59
1976*	8.54	19.34	28.67	46.08	37.21	65.42	62.79	34.58
1977	8.46	14.58	27.83	49.80	36.29	64.38	63.71	35.62
1978	8.29	14.16	26.62	46.50	34.91	60.66	65.09	39.34
1979	8.28	13.98	25.94	49.11	34.22	62.09	65.78	37.91
1980	8.28	16.21	25.49	46.00	33.77	62.21	66.23	37.79
aagr (1963-75)	a/ (5%)	(4%)	(6%)	(2%)	(6%)	(3%)	(11%)	(27%)
aagr (1963-80)	(4%)	(4%)	(5%)	(2%)	(5%)	(3%)	9%	20%

Source: Computed from Table 1-10.

a/ "aagr" stands for average annual growth.

Table 4.11: Trends in the Structure of Kenya Tea Industry in terms of Area under Tea Cultivation 1963-1980 (selected years)

Sector	1963 Hectares	Per cent	1972 Hectares	Per cent	1980 Hectares	Per cent
Smallholdings	3,527	16.46	26,453	53.24	50,691	66.3
Estates	17,923	83.54	23,260	46.76	25,850	33.7
Brooke Bond Leibig	3,707	17.28	5,430	10.93	6,334	8.3
Other Estates	14,211	66.28	17,820	35.83	20,516	25.9
Total	21,448	100.00	49,761	100.00	76,541	100.0

Source: Computed from Table 1-10.

Table 4.12: Trends in the Structure of Kenya Tea Industry in Terms of Production (Volume 1963-80 (selected years)

Sector	1963 Hectares	Per cent	1972 Hectares	Per cent	1980 Hectares	Per cent
Smallholdings	312	1.72	13,129	24.62	33,980	39.07
Estates	17,791	98.27	40,193	75.38	52,994	60.93
Brooke Bond Leibig	6,113	33.91	12,038	22.58	14,564	16.75
Other Estates	11,687	64.76	28,155	52.80	38,430	44.18
Total	18,092	100.00	53,322	100.00	86,974	100.00

Source: Computed from Table 1-10.

Table 4.13: Tea production activities of Transnational Corporations in the production of tea in Kenya, 1981

Parent Company	Subsidiary	a/	Planted Hectares	Made tea (Kgs)	Factories owned	Per cent of total output a/
Brooke Bond Leibig	Brooke Bond Kenya	(88.2)	5837	16,219,021	9	18.3
James Finlay	African Highland Produce	(100)	6910	18,004,920	7	18.3
Williamson Holdings	George Williamson	(50.33)	1981	6,420,514	4	2.4
Eastern Produce Holdings	Eastern Produce Africa	(100)	2381	7,883,904	6	7.2
Mitchell Cotts	Mandi Estates	(100)	719	1,434,429	1	na
Others			3350	7,173,000	11	na
Warren Plantations	Tinderet Estates	(100)	na	na	na	2.0

Source: "Transnational Corporations in the Tea Industry of Kenya", pp. 62, 64 and "Marketing and Processing of Tea: Areas for International Co-operation", Table I (annex)

a/ The figures in parentheses refer to per cent of parent company holdings in the subsidiary.

Table 4.15: Tea exports from Kenya by destination, 1976-81

Destination	Quantities in metric tons					Calendar Years		Values in thousand U.S. Dollars				
	1976	1977	1978	1979	1980	1981	1976	1977	1978	1979	1980	1981
United Kingdom	26,208	38,581	45,565	46,614	42,853	42,316	36,906	94,096	99,800	88,354	92,881	75,235
France	137	185	231	287	468	236	211	526	486	542	554	533
Germany, Fed. Rep.	37	325	461	1,129	214	127	1,069	2,593	915	1,332	523	245
Ireland(Republic)	1,085	2,156	2,677	3,242	3,301	3,053	2,499	5,552	5,335	7,477	8,111	7,603
Netherlands	3,176	4,954	2,741	2,614	2,093	2,699	4,004	9,103	9,429	5,402	6,082	5,157
Other Europe	136	447	556	1,519	407	291	297	1,129	1,162	1,303	696	353
Canada	4,137	2,209	4,195	3,571	3,227	2,938	6,471	9,403	8,414	7,202	7,368	4,191
United States	6,256	6,394	8,436	8,998	5,273	5,136	10,634	15,604	16,117	17,153	11,767	9,630
China	-	-	399	616	396	-	-	-	915	2,403	554	-
Iraq	-	196	521	1,262	-	-	-	817	958	2,246	-	-
Israel	29	561	272	543	8	136	36	1,408	538	431	84	152
Japan	431	116	196	146	84	116	670	336	443	304	197	230
Pakistan	6,156	6,098	9,038	11,667	7,978	11,028	6,056	13,575	14,456	17,303	15,352	19,237
Other Asia	194	202	253	566	263	148	246	390	446	1,126	573	439
Egypt	3,792	5,818	5,474	7,456	2,393	2,628	4,203	10,453	10,976	10,976	4,407	4,104
Ethiopia	356	438	705	227	823	501	382	796	1,309	393	1,210	894
Mozambique	-	-	292	-	326	330	-	-	592	-	786	600
Nigeria	-	-	38	405	576	452	-	-	76	409	1,151	775
Somalia	756	621	590	2,088	154	128	610	833	606	1,774	223	132
Sudan	4	3	462	291	31	2,069	34	7	564	544	1,327	5,296
Other Africa	178	215	234	644	109	272	177	465	293	705	191	243
Australia & New Zealand	7	15	1,212	44	25	20	8	41	2,732	78	40	72
Other Countries	115	147	421	4	12	12	141	267	959	9	27	22
Total	55,438	74,281	84,977	94,939	74,790	75,628	76,193	173,451	183,920	189,165	156,335	135,323

Source: "Transnational Corporations inthe Tea Industry of Kenya", p. 169.

Table 4.15: The purchasers on Mombasa auctions, 1981 (January-June)

	Kenya KGS.	Rwanda KGS.	Burundi KGS.	Uganda KGS.	Zaire KGS.	Totals KGS.
Van Rees (GB) Ltd.	2,799,427	5,080	9,260	-	65,350	2,924,917
E.A. Tea Exporters Ltd.	2,715,294	33,172	15,298	6,904	44,115	2,816,765
Brooke Bond Mombasa	2,346,339	189,942	125,546	61,513	81,651	2,804,990
James Finlay & Co. Ltd.	1,587,600	22,350	28,067	9,971	22,803	1,670,731
Lipton Limited	1,096,304	64,714	84,639	5,945	25,668	1,281,271
E.J.Lowe & Co. Ltd.	1,100,500	99,167	6,288	-	-	1,205,003
Stansand (Africa) Ltd.	932,592	39,112	16,728	5,220	23,968	1,009,020
Berisford Kenya Ltd.	801,709	30,391	12,053	17,792	8,856	870,801
Bunty Enterprises	716,481	17,213	696	2,268	-	736,658
H.J. Clarke	637,338	19,152	20,513	696	-	677,707
James Noble Tea Ltd.	467,002	6,715	4,400	-	12,484	490,601
Phillips Harrisons & Crossfield	305,966	16,617	24,265	3,431	-	350,279
Chai Exports (Kenya) Ltd.	225,736	12,295	5,272	14,081	-	257,384
Wanyo Limited	228,622	12,620	595	-	11,860	254,072
Nyahururu Food Products	165,578	17,297	7,897	2,600	26,841	210,213
Seyffert & Company	162,314	-	-	-	-	162,314
Vista Limited	130,797	2,456	12,022	-	-	145,371
Juja Coffee Exporters	147,005	4,104	-	-	-	151,109
Valimohamed Haji Valjee	115,077	15,691	3,398	-	-	134,166
Hussein & Company	24,088	33,812	5,735	-	9,284	72,921
Alibhai Ramji	46,201	9,157	2,199	5,102	-	62,659
Khaku Exporters	56,039	2,526	-	-	-	58,565
Big (Tea) Ltd.	37,369	-	400	-	19,825	56,594
El-Amir	29,390	16,913	3,137	550	-	49,990
Esco (K) Ltd.	46,660	-	-	-	-	46,660
Chai Limited	19,248	-	-	-	-	19,248
Contea Limited	12,826	-	-	-	-	12,826
Unexim Limited	10,740	-	-	-	-	10,740
Gullied Kenya Industries	3,338	-	-	-	-	3,338
Samar Inter-Agencies	1,348	-	-	-	-	1,348
Totals	16,986,452	746,089	389,009	135,487	351,792	18,608,869

Source. "Transnational Corporations in the Tea Industry of Kenya", p. 157.

Table 4.16: Top ten buyers at Mombasa auctions, 1981 (January-June)

Serial No.	Company	Chiefly buying for	All teas		Concentration Ratio	Kenyan teas		Concentration Ratio
			Tons	Per cent		Tons	Per cent	
1.	E.A. Tea Exporters	Co-operative Wholesale Society	2906	15.1	15.1	2811	15.8	15.8
2.	Brooke Bond Mombasa	Brooke Bond Leibig	2570	13.4	28.5	2189	12.3	28.1
3.	Lipton Ltd.	Lipton	2306	12.0	40.5	2168	12.2	40.3
4.	Stansand (A)	Lyons-Tetly	2121	11.0	51.5	2054	11.6	51.9
5.	D.J. Lowe & Co.	Pakistan	1523	7.9	59.4	1444	8.1	60.0
6.	Hussein & Co.		1226	6.4	65.8	1226	6.9	66.9
7.	Berisford (K)		877	4.6	70.4	855	4.8	71.7
8.	J. Finlay & Co.	J. Finlay	847	4.4	74.8	711	4.0	75.7
9.	M.J. Clarke		793	4.1	78.9	770	4.3	80.0
10.	Van Rees (GB)	V. Rees	481	2.5	81.4	477	2.7	82.7
	Sub Total		15,640	81.4		14,705	82.7	

Source: 'Marketing and Processing of Tea : Areas for International Co-operation', Annex

Table 4.1: Kenya Tea Packers capitalisation structure

Shareholders	1978 Made tea Production	Loan Capital KSHS.	Planted Area-Hectares	Share Capital at 10/-Per share	Total loan & Share Capital KSHS.
Kenya Tea Development Authority	27,873,323	5,351,100	46,829,36	468,290	5,856,390
Brooke Bond Leibig (K) Limited	18,181,093	3,511,930	7,032.04	70,320	3,535,150
African Highlands Produce & Co. Ltd.	13,158,173	2,609,280	5,108.50	51,080	2,660,360
Eastern Produce	1,827,018	352,170	909.58	9,090	362,260
Nandi Tea Estates	2,052,724	396,000	718.71	7,180	403,180
Kapsumbweiwa Factory Co. Ltd.	2,551,870	492,300	1,221.45	12,210	504,510
Sotik Tea Co. Ltd.	3,250,022	628,250	1,187.14	11,870	640,120
Siret Tea Co. Ltd.	1,980,007	382,750	784.56	7,840	390,590
Nyamboni Tea Co. Ltd.	1,725,220	333,500	200.00	2,000	335,500
Kapchorua Tea Co. Ltd.	1,390,802	268,950	752,43	7,520	276,370
Mastrona Tea Factory Co.Ltd	1,243,961	244,330	668.56	6,680	251,010
Kaairana Estates Ltd.	1,295,442	250,420	811.42	8,110	258,530
Kipkebe Ltd.	1,411,890	272,930	1,003,33	10,030	282,960
Sotik Highlands Tea Estate	1,297,070	250,730	473.18	4,730	255,460
Changoi Ltd.	1,274,845	246,280	567.00	5,670	251,950
Kipkelmet Tea Co. Ltd.	833,620	161,140	314.00	3,140	164,280
Koisagot Tea Estates Ltd.	746,595	144,320	1,552.34	15,520	159,840
Tinderet Estates Ltd.	774,543	149,720	446.00	4,460	154,180
East African Coffee Plantation Ltd.	1,516,841	293,220	1,214.00	12,140	305,360
Sibot Tea Factory Co. Ltd.	191,416	37,000	106.71	1,060	38,060
Koritor Ltd.	681,844	131,800	399.83	3,990	135,790
Kaisugu Ltd.	655,953	126,800	293,00	2,930	129,730
Mau Forest Ltd.	661,310	127,840	486,59	4,860	132,700
Kibwari Tea Estates Ltd.	356,610	68,940	300.16	4,000	71,940
Kaimosi Tea Estates	650,272	125,700	364.55	3,640	126,064
Grand Total	87,943,281	17,000,000	73,744.44	738,360	17,734,084

Source: "Transnational Corporations in the Tea Industry of Kenya" p. 118.

Table 5.1: Shares of exports from developing countries marketed by transnational corporations, 1973.

Commodity	Total exports ($ million)	Per cent marketed by TNCs
Food		
Cocoa	1,737	85
Tobacco a/	1,979	85-90
Bananas a/	753	70-75
Tea a/	327	85
Coffee a/	7,831	85-90
Sugar a/	4,351	60
Rice	1,102	70
Wheat	449	95-90
Agricultural raw materials		
Hides & skins	257 b/	25 b/
Natural rubber	2,202	70-75
Cotton	2,609	85-90
Jute	172	85-90
Forest products	4,169	90
Ores minerals and metals		
Crude petroleum	20,149 b/	75 b/
Copper	3,931 b/	85-90 b/
Iron ore	1,256 b/	90-95 b/
Bauxite	210	90-95
Tin	404 b/	75-80 b/
Phosphates	243	50-60

Source: Marketing and Distribution of Tobacco, p. xii.

a/ Group of commodities covered in this report.

b/ 1973

Table 5.2: Transnational Corporations engaged in the production and trade of selected commodities in sample countries

Parent Company	Home country a/	Host country affiliated b/	Commodity	Integrated Activity: Production	Processing	Trade	Parent Company Holdings	
1. Anglo-American Corporation	SA	Anglo-American Corporation (Z)	Sugar	x	x	x		
		Hippo Valley Estates (Z)	Sugar	x	x		45.00	
		Sugar Sales (Pvt) Ltd. (Z)	Sugar			x	100.00	
		National Foods (Z)	Food				42.30	
		Mkwesine Estate (Z)	Sugar	x			50.00	
		Mazoe Estates (Z)	Citrus				100.00	
2. Huletts Corporation	SA	Triangle Estates (Z)	Sugar	x	x		100.00	
3. Tate & Lyle Ltd.	UK	Zimbabwe Sugar Refineries (Z)	Sugar		x	x	50.10	
		Zimbabwe Sugar Distribution (Z)	Sugar			x	60.27	
		T.W. Hayes (Z)	Sugar			x	100.00	
		Gilletti (Z)	Sugar			x	100.00	
4. Brooke Bond Leibig	UK	Brooke Bond Leibig (K)	Tea	x	x	x	98.00	c/
		Brooke Bond Mombasa (K)	Tea			x	100.00	
5. James Finlay	UK	James Finlay & Co.(K)	Tea	x	x	x		
		African Highlands Produce (K)	Tea	x	x	x	100.00	
		Stolk Highlands (K)	Tea	x	x		100.00	
6. Eastern Produce Holdings	UK	Eastern Produce Africa (K)	Tea	x	x	x	100.00	
7. Williamson Tea Holdings	UK	George Williamson(K)	Tea	x	x	x	50.33	
8. Warren Plantations Holdings	UK	Kinderet Tea Estates (K)	Tea	x	x	x	100.00	
9. Mitchell Cotts Group		Wandi Estates (K)	Tea	x	x	x	100.00	
		Mitchell Cotts Shipping Lines (K)						

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Table 5.2: (cont,d.)

Parent Company	Home Country a/	Host country affiliated b/	Commodity	Integrated Activity: Production	Processing	Trade	Parent Company Holdings
10. Co-operative Wholesales Society		E.A. Tea Exporter (K)	Tea			x	na
11. Lipton		Lipton (K)	Tea			x	na
12. Lyons-Tetley	UK	Stonsand (K)	Tea			x	na
13. Belgian Parent Companies	Blg.	Buziri (C)	Coffee	x			na
	Blg.	Schumpes (C)	Coffee	x			na
	Blg.	Sodapri (C)	Coffee	x			na
14. French Parent Company	Fr	Nyombe Penja Plantations (C)	Banana	x	x	x	na
	Fr	Nossif Plantations (C)	Banana	x	x	x	na
	Fr	Cam-Loubou Pallier (C)	Banana	x	x	x	na
	Fr	Haut Penja Plantations (C)	Banana	x	x	x	na
	Fr	Banana Company (C)	Banana	x	x	x	na

Sources: Compiled from different sources.

a/ SA - South Africa
UK - United Kingdom
US - United States
Fr - France
Blg - Belgium

b/ Host country - B - Burundi
C - Cameroon
K - Kenya
Z - Zimbabwe

c/ The remaining shares of about 13 per cent are owned by the host country.

Table 5.3: Checklist of variables affecting the structure of distribution of gains

100. With reference to host country

110. Political Factors
- 111. Philosophy with regard to foreign investment
- 112. Degree of cohesiveness or polarization among different interest groups
- 113. Stability and strength of host government
- 114. Extent of foreign control of the economy

120. Administrative and Legal Factors
- 121. Capability of bureaucratic machinery
- 122. Capability for negotiations
- 123. Technical capability
- 124. Managerial capability
- 125. Information capability
- 126. Investment laws

130. Economic Factors
- 131. Condition of balance of payments
- 132. Structure of domestic exports
- 133. Distribution of output between domestic and foreign markets
- 134. Position on world scale
  - a) production
  - b) trade
  - c) reserve
- 135. Differential tariff treatment between exports of raw materials and processed goods
- 136. Parastatal commodity marketing organizations
- 137. Regulatory authority
- 138. Distribution of export by raw and processed forms

200. With reference to Transnational Corporations

210. Parent Company
- 211. Global market power
- 212. Degree of vertical integration
  - a) production
  - b) export
  - c) processing
  - d) shipping
  - e) insurance
  - f) marketing and distribution
- 213. Existence of cartel arrangements
- 214. Trends of market power
- 215. Strategy of control over sources of supply

Table 5.3: (Cont,d.)

220. Affiliated Company
- 221. Legal form of organization
- 222. Market share
- 223. Parent Company holdings
- 224. Non-equity participation
- 225. Local equity participation
  - a) Government
  - b) Private
- 226. Interlocking directorship
- 227. Method of entry
  - a) new organization
  - b) acquisition
- 228. Historical development of parent company activities in host country
- 229. Method of growth
  - a) upstream
  - b) downstream
  - c) horizontal
  - d) diversified
- 230. Degree of dependence on particular source of supply
- 231. Diversification in sources of supply
  - a) internal
  - b) external
    - 1. open market
    - 2. contractual
- 232. Relations with smallholders
- 233. Recent Government action
  - a) negotiation
  - b) renegotiation
  - c) nationalization
  - d) indigenization
  - e) confiscation
- 234. Employment structure
  - a) skilled vs. unskilled
  - b) domestic vs. foreign
  - c) technical vs. managerial
- 235. Import protection
- 236. Home country support

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300. With reference to commodity

- 310. Trends of demand and supply
- 320. Structure of world production and trade
- 330. Elasticity of price, income and substitution
- 340. Proportion of world trade in world production
- 350. Concentration of production, trade, processing and consumption
- 360. Susceptibility to transfer pricing
- 361. Involvement of transnational corporations

400. With reference to international setting

- 410. United Nations bodies
- 420. Commodity agreements
- 430. Producers, associations
- 440. Bilateral discriminatory schemes.
- 450. Economic Sanctions

Source: Compiled from "Transnational Corporations in Export-Oriented Primary Commodities: A General Conceptual Framework of Case Studies".